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ABSTRACT

With expiration of the Comprehensive Employment and Training Act (CETA) impending, the United States General Accounting Office (GAO) reviewed four types of adult-oriented service: classroom training, on-the-job training, work experience, and public service employment. The GAO researched and synthesized program administrative data and the results of evaluation and research studies, and analyzed employment statistics to determine who enrolled in the programs, what types of services and what benefits were provided them, what were the employment experiences of the enrollees both before and after participating in CETA, and how effective the services were. GAO found the following four outcomes, among others: (1) CETA adult-oriented services were well targeted--the enrollees were generally disadvantaged economically and educationally, which affected their employment stability; (2) outcomes differed for the four services, but these differences were expected since occupational areas and characteristics of participants also varied; (3) on the average, early participants were better off after CETA than before in terms of increased employment and earnings and reduced reliance on public benefits; and (4) because of limited data, CETA's effectiveness can be addressed only in terms of earnings. No more than a small proportion of the improvement in earnings can be attributed directly to CETA, but women and individuals appear to have profited more than other groups as a result of the program. (KC)

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BY THE U.S. GENERAL ACCOUNTING OFFICE

Report To The Chairman, Subcommittee On Employment Opportunities, Committee On Education And Labor United States House Of Representatives

C E Rep 5

CETA Programs For Disadvantaged Adults--What Do We Know About Their Enrollees, Services, And Effectiveness?

With expiration of the Comprehensive Employment and Training Act impending and unemployment persisting, GAO reviewed four types of adult-oriented service: classroom training, on-the-job training, work experience, and public service employment. GAO found that

--CETA adult-oriented services were well targeted. The enrollees were generally disadvantaged economically, educationally, and with regard to employment stability.

--outcomes differed for the four services, but these differences were expected since occupational areas and characteristics of participants also varied.

--on the average, early participants were better off after CETA than before in terms of increased employment and earnings and reduced reliance on public benefits.

--because of limited data, CETA's effectiveness can be addressed only in terms of earnings. No more than a small proportion of the improvement in earnings can be attributed directly to CETA, but women and people with extremely poor earnings histories appear to have profited more than other groups as a result of the program.

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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

INSTITUTE FOR PROGRAM
EVALUATION

B-206174

The Honorable Augustus F. Hawkins
Chairman, Subcommittee on
Employment Opportunities
Committee on Education and Labor
House of Representatives

Dear Mr. Chairman:

This report summarizes the results of our review of services for disadvantaged adults under the Comprehensive Employment and Training Act. As you requested, we conducted an assessment of program administrative data and the results of federally funded and independent evaluation studies on four types of service--classroom training, on-the-job training, work experience, and public service employment.

Integrating what we judge to be the soundest and most comprehensive information available, the report summarizes what is known about enrollees, services, and outcomes; it also identifies major gaps in our knowledge about these programs. At your request, much of the information contained in this report was previously communicated during a joint briefing of interested House and Senate staff on October 13, 1981.

We sought comments on the report from the Department of Labor and DOL's response is reproduced in appendix IV.

Sincerely yours,

Eleanor Chelimsky
Director

GENERAL ACCOUNTING OFFICE
REPORT TO THE CHAIRMAN,
SUBCOMMITTEE ON EMPLOYMENT
OPPORTUNITIES, COMMITTEE
ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

CETA PROGRAMS FOR DISADVANTAGED ADULTS--WHAT DO WE KNOW ABOUT THEIR ENROLLEES, SERVICES, AND EFFECTIVENESS?

D I G E S T

CETA was designed to establish comprehensive and decentralized employment and training services throughout the Nation. How well has CETA performed? With CETA's expiration impending, the problems of structural and cyclical unemployment persisting, and new proposals being considered, it is essential to examine CETA's performance and to understand the context in which its services are delivered.

In this report, undertaken at the request of the House Subcommittee on Employment Opportunities, GAO examines the performance of adult-oriented CETA programs with regard to enrollees, services, and effectiveness by focusing on the following five questions:

1. Who were the enrollees?
2. What types of service and what benefits were provided them?
3. Who were the recipients of the various types of service?
4. What were the employment experiences of the enrollees both before and after participating in CETA?
5. How effective were the services?

To answer these questions, GAO looked at CETA's Comprehensive Services and Public Service Employment (PSE) programs, focusing on four types of CETA adult service--classroom training, on-the-job training, work experience, and public service employment.

GAO reviewed and synthesized program administrative data and the results of evaluation and research studies and analyzed employment statistics, to answer the five questions and to identify important gaps in existing information on CETA adult-oriented services. Unfortunately, the most comprehensive information was also the least current.

Tear Sheet

In general, GAO found that CETA's adult-oriented services were well targeted toward disadvantaged individuals. The outcomes of the four services differed, but this was not surprising since the services also varied in terms of the levels of disadvantage of the participants and the occupational areas of employment opportunities or training.

Because the data are limited, CETA's effectiveness can be addressed only in terms of earnings. On the average, early CETA participants were better off after the program than before with regard to increased employment and earnings and reduced reliance on public benefits. Although in the aggregate only a small proportion of this improvement in earnings can be directly attributed to CETA, women and people with extremely poor earnings histories appear to have profited more than other groups as a result of the program.

WHO WERE THE ENROLLEES?

Significant proportions of enrollees in the Comprehensive Services and PSE programs were disadvantaged economically and educationally, and they had little past employment stability. For example, approximately one-third of the enrollees in the major adult services in fiscal 1976-78 were unemployed at least 50 percent of the year preceding their enrollment. Another one-fourth to one-third were out of the labor force at least 50 percent of that year. (pp. 38-41)

WHAT TYPES OF SERVICE AND WHAT BENEFITS WERE PROVIDED THEM?

The mix of services in the Comprehensive Services title shifted away from work experience toward classroom training between 1975 and 1980. (pp. 41-43) As programs under the PSE titles grew, however, the overall adult service mix for CETA increasingly emphasized various forms of subsidized work opportunity.

Occupational areas of employment and training services varied among the service types. During fiscal 1976, the employment opportunities provided to enrollees in PSE and work experience programs were likely to be in clerical, service, or laborer occupations. Classroom and on-the-job training services put more emphasis

on craft and operative occupations, areas that typically pay higher wages. (pp. 43-46)

On the average, early participants realized substantial gains in earnings while they were enrolled in CETA, and more than 40 percent received ancillary employment or supportive services. (pp. 49-51)

For fiscal 1975-80, job placement rates reported by prime sponsors to the Department of Labor for the Comprehensive Services title ranged from 28 to 45 percent and from 31 to 42 percent for the PSE titles. Rates by service type reported in the Continuous Longitudinal Manpower Survey for fiscal 1976 participants were higher, the percentages being 39 for classroom training, 55 for work experience, 67 for public service employment, and 69 for on-the-job training. Thus the prime sponsor reports apparently underestimated the number of people who obtained jobs immediately after leaving CETA. (pp. 51-55)

WHO WERE THE RECIPIENTS OF THE VARIOUS TYPES OF SERVICE?

In fiscal 1976, participants in classroom training and work experience were more disadvantaged than participants in on-the-job training and PSE in terms of individual and household income, employment stability, and receipt of public benefits. This pattern persisted in 1978, except that PSE participants had become more disadvantaged. (pp. 46-49)

WHAT WERE THE EMPLOYMENT EXPERIENCES OF THE ENROLLEES BEFORE AND AFTER PARTICIPATING IN CETA?

Information on participants' experiences before and after CETA is confined to people enrolled between January 1975 and June 1976. Reviewing this, GAO found the following:

--Earnings and employment declined in a consistent pattern for participants in the year preceding their enrollment. On average, however, they attained earnings and employment levels immediately after leaving the program that were equal to and sometimes exceeded the high point of their pre-CETA year. They continued to show further improvement over the next two years. (pp. 60-66)

Tear Sheet

--The proportion of participants whose households received public benefits decreased from 38 percent in the year before CETA to 25 percent two years after CETA. (pp. 66-67)

--After leaving CETA, participants were more likely to be in public sector jobs than before CETA. Among January-June 1975 participants employed one year before entering CETA, 82 percent had held private sector jobs. Only 66 percent of those employed two years after CETA held private sector jobs. (pp. 67-69)

GAO also found that differences across service types in the characteristics of participants and in their occupational areas of employment and training are reflected in the data on their experiences before and after CETA. In particular, GAO found the following:

--Classroom training and work experience participants (who were generally more disadvantaged than participants in on-the-job training and PSE at the time of enrollment) had poorer earnings and employment circumstances than on-the-job training and PSE participants, both before and after CETA. (pp. 69-75)

--Employed terminees from classroom training and on-the-job training in January-June 1975 were much more likely to have found employment in the private sector two years after CETA (at 84 and 83 percent) than employed terminees from work experience and PSE (at 65 and 52 percent). (p. 76)

HOW EFFECTIVE WERE THE SERVICES?

The single effectiveness study available estimates that only $300-$400 of 1977 post-program earnings can be attributed directly to CETA participation in adult-oriented services during fiscal 1976. By service type, this study estimates gains of $850 for on-the-job training, $350 for classroom training, and $250-$750 for PSE and no significant gains for work experience. (pp. 82-84)

White and minority women had significant net gains of $500-$600, as did participants with the poorest earnings histories. (pp. 84-86) Distributions of gross earnings changes over the period 1974-77 suggest that even though the aggregate net gain was small, some women

and poor earners had fairly substantial net gains from CETA. (pp. 86-90)

THE PRIVATE SECTOR INITIATIVE PROGRAM AND MACROECONOMIC ISSUES

GAO's assessment of CETA's Private Sector Initiative Program is necessarily limited because the program is young. Its overall job placement rates and rates of private sector employment are slightly higher than for the Comprehensive Services title. However, these differences can be explained by its smaller size, greater emphasis on on-the-job and classroom training, fewer in-school services, and less-disadvantaged enrollees. (pp. 92-97)

GAO outlines the major macroeconomic issues associated with the provision of Federal funds for employment and training services and reviews studies that estimate the extent of substitution of Federal funds for State and local funds. (pp. 98-110)

OBSERVATIONS

CETA has had the dual objective of addressing both structural unemployment (a misfit between the skills employers need and the skills jobseekers have) and cyclical unemployment (stemming from a decrease in aggregate demand in the economy). This complexity, along with fluctuations in CETA's emphasis and its attempt to foster flexibility in matching local employment and training resources with the diverse needs of the unemployed, has made assessment of its performance especially difficult.

On the one hand, GAO's review indicates that

--CETA's adult-oriented services were well targeted toward the disadvantaged unemployed;

--on average, the employment and earnings circumstances of early participants were better after CETA than before, and their reliance on various forms of public benefits also decreased. While this kind of pre-post information cannot be used directly to infer program effectiveness, the fact that a relapse did not occur over a two-year period after CETA is encouraging;

--although in the aggregate only a small proportion of the earnings improvement

Tear Sheet

after CETA can be directly attributed to the program, some improvement was evident, and for women and the most economically disadvantaged participants the net improvements were greater.

On the other hand,

--there is evidence, at least for early participants, that employed terminees from work experience and PSE, compared to other services, tended to be disproportionately in public sector rather than private sector jobs, where most new jobs are created. This finding indicates that links between business, industry, and CETA should be stronger.

--despite the fact that more people probably move into jobs when leaving CETA than prime sponsors report, there is little reason to believe that obtaining a job immediately after CETA indicates a long-term improvement in earnings capacity.

On-the-job training appears at first more successful than other services in postprogram outcomes, but this may be explained at least partly by its less-disadvantaged enrollees. Work experience, often criticized for poor outcomes, has been given to some of CETA's most disadvantaged enrollees (those with histories of weak labor force attachment) and, therefore, it is not surprising that work experience has had poorer outcomes.

DOL's Continuous Longitudinal Manpower Survey is a rich data base; without it we would know much less about CETA. The one earnings impact study that is available is based on CLMS data, and CLMS could be used to explore other possible benefits of CETA for participants and society. Nevertheless, GAO's review was hampered by the fact that the soundest and most comprehensive information is the least current. Further, the widely used performance indicator of job placement rates is deficient in its usefulness as a measure of program effectiveness. And information is lacking on the degree to which local resources may constrain program performance.

GAO requested comments from the U.S. Department of Labor but DOL declined to make specific comments because the report contains no recommendations. (pp. 134-35)

Contents

CHAPTER		Page
1	INTRODUCTION	1
	Objectives, scope, and methodology	1
2	CETA'S CONTEXT--THE BACKGROUND FOR EVALUATION	6
	How the structure of CETA changed between 1973 and 1978	6
	The refocusing of CETA's eligibility requirements	11
	CETA's service delivery mechanism--the diversity of prime sponsors	14
	CETA's small size relative to the unemployment problem	15
	Problems of reconciling local and national objectives	18
3	CONSIDERING ALTERNATIVE BASES FOR EVALUATING CETA'S EFFECTIVENESS	20
	Identifying the appropriate criteria for evaluating CETA	20
	Measures of short-term outcome and long-term program impacts--are they related?	25
	Assessing absolute effectiveness--would benefits be realized without the program?	30
	Assessing relative effectiveness--which services work best?	33
	Selection biases in evaluation studies--what are they for CETA?	34
	Summary	36
4	CETA PARTICIPANTS, THE SERVICES AND BENEFITS THEY RECEIVED, AND THEIR STATUS AT TERMINATION	38
	The characteristics of the participants	39
	The nature of the services they received	41
	Participant profiles among service types	46
	Within-program wages and ancillary benefits	49
	Participants' employment status at program termination	51
	Summary	55

CHAPTER		Page
5	CETA PARTICIPANTS' EXPERIENCES BEFORE AND AFTER PROGRAM PARTICIPATION	59
	Participants' experiences overall	60
	Wages earned and time employed	60
	Public benefits received	66
	Private sector employment	67
	Participants' experiences by service type	69
	Wages earned and time employed	69
	Public benefits received	74
	Private sector employment	76
	Experiences of selected demographic subgroups	76
	Summary	79
6	ADULT-ORIENTED CETA SERVICES--THEIR EFFECTIVENESS AS MEASURED BY PARTICIPANTS' EARNINGS	82
	Earnings overall and by service type	83
	Earnings for selected demographic subgroups	84
	Changes in earnings	86
	Summary	90
7	THE PRIVATE SECTOR INITIATIVE PROGRAM--CETA TITLE VII	92
8	MACROECONOMIC ISSUES AND FISCAL SUBSTITUTION UNDER PSE	98
	Macroeconomic issues	98
	Fiscalist and monetarist views	99
	Methods of estimating the effects of countercyclical programs	100
	The criteria of efficiency, equity, and stability	101
	Estimating substitution and displacement	102
	Substitution and displacement defined	102
	Determining an appropriate rate	104
	The results of monitoring and econometric analyses	106
9	SUMMARY AND INTERPRETATION	111
	Who were CETA's enrollees?	111
	What types of service and what benefits were provided to CETA enrollees?	111
	Who were the recipients of the various types of service?	112
	What were enrollees' employment experience before and after participating in CETA?	113
	How effective were the services?	114
	The Private Sector Initiative Program	115
	Concluding observations	115
	How can we interpret the data?	115
	What more do we need to find out?	120

		Page
APPENDIX		
I	Technical description of procedures used in the CLMS net impact analysis	123
II	References	127
III	Request letter dated March 3, 1981, from Augustus F. Hawkins, Chairman of the Committee on Education and Labor Subcommittee on Employment Opportunities of the U.S. House of Representatives	133
IV	Agency comments and GAO's response	134
TABLE		
1	Comprehensive Services and Public Service Employment outlays for fiscal years 1975-80	10
2	Number of individuals served through Comprehensive Services and Public Service Employment titles, estimates for fiscal years 1975-80	10
3	Characteristics of participants in Comprehensive Services and Public Service Employment titles for selected fiscal years	39
4	Pre-enrollment labor force experiences of people enrolled in CETA adult services titles IIB-C, IID, and VI in fiscal years 1976-78	41
5	Percentage of individuals served through Comprehensive Services title IIB-C by service type for fiscal years 1975-80	42
6	Distribution of public service jobs by function, estimates for fiscal years 1976 and 1978	42
7	Within-program occupational areas of service types for fiscal year 1976	44
8	Characteristics of enrollees in CETA adult services for fiscal year 1976	47

TABLE		Page
9	Characteristics of enrollees in CETA adult services for fiscal year 1978	48
10	Characteristics of enrollees in Public Service Employment sustainment and project jobs for fiscal year 1978	48
11	Average within-program hourly wages by service type	49
12	Average within-program annualized earnings by service type	50
13	Status of terminees for Comprehensive Services title IIB-C for fiscal years 1975-80	52
14	Status of terminees for combined Public Service Employment titles IID and VI for fiscal years 1975-80	52
15	Estimated labor force status one day after termination by service type for fiscal year 1976	54
16	Average annualized earnings of CETA terminees who participated in adult services in January-June 1975 and fiscal year 1976	62
17	Percentage of time employed for CETA terminees who participated in adult services in January-June 1975 and fiscal year 1976	62
18	Percentage of CETA terminees employed who participated in adult services in January-June 1975 and fiscal year 1976	63
19	Average hourly wages of employed CETA terminees who participated in adult services in January-June 1975 and fiscal year 1976	63
20	Intermediate changes in average annualized earnings, average hourly wages, and average percentage of time employed for 12-month CETA terminees who participated in adult services in January-June 1975 and fiscal year 1976	64
21	Percentage distribution of 24-month CETA terminees who participated in adult services in January-June 1975 by receipt of public benefits and Unemployment Insurance	66

		Page
22	Percentage of employed 24-month CETA terminees whose primary jobs were with private employers and who participated in adult services in January-June 1975	68
23	Percentage of employed CETA terminees whose primary jobs were with private employers and who participated in adult services in fiscal year 1976 by service type	68
24	Average annualized earnings of CETA terminees who participated in adult services in January-June 1975 and fiscal year 1976 by service type	70
25	Percentage of time employed for CETA terminees who participated in adult services in January-June 1975 and fiscal year 1976 by service type	71
26	Percentage of CETA terminees employed who participated in adult services in January-June 1975 and fiscal year 1976 by service type	72
27	Average hourly wages of CETA employed terminees who participated in adult services January-June 1975 and fiscal year 1976 by service type	73
28	Intermediate changes in average annualized earnings and average time employed for CETA terminees who participated in adult services January-June 1975 and fiscal year 1976 by service type	75
29	Percentage distribution of 24-month CETA terminees who participated in adult services January-June 1975 by receipt of public benefits and Unemployment Insurance and by service type	75
30	Absolute and percentage changes in annualized earnings of 12-month CETA terminees who participated in adult services in fiscal year 1976	77
31	Employment distribution of 24-month CETA terminees who participated in adult services in January-June 1975 by primary job and gender	78

TABLE		Page
32	Estimated net impact of CETA on 1977 and 1978 earnings of participants in fiscal year 1976 adult services by service type	83
33	Estimated net impact of CETA on 1977 earnings of participants in fiscal year 1976 adult services by gender, race, and service type	85
34	Estimated net impact of CETA on 1977 earnings of participants in fiscal year 1976 adult services by preprogram earnings level and service type	85
35	Enrollees in Comprehensive Services and PSIP titles in fiscal year 1980 by service type	94
36	Characteristics at entry of enrollees in Comprehensive Services, PSE, and PSIP titles in fiscal year 1980	95
37	Status of terminees for Comprehensive Services, PSE, and PSIP titles in fiscal year 1980	96

FIGURE		
1	Areas covered by the review of the Comprehensive Services and Public Service Employment titles	2
2	Unemployment rates overall and by age and race subgroups	17
3	Number of people unemployed and number of people unemployed more than 26 weeks versus estimated numbers of total people served through Comprehensive Services and Public Service Employment titles 1973-80	17
4	Average annualized earnings before and after CETA for terminees who participated January-June 1975 and fiscal year 1976	61
5	Gross changes in Social Security earnings of CETA participants and CPS comparison group 1974-77	87
6	Gross changes in Social Security earnings of minority males in CETA and CPS comparison group 1974-77	88

		Page
7	Gross changes in Social Security earnings of white males in CETA and CPS comparison group 1974-77	88
8	Gross changes in Social Security earnings of minority females in CETA and CPS comparison group 1974-77	88
9	Gross changes in Social Security earnings of white females in CETA and CPS comparison group 1974-77	88
10	Gross changes in Social Security earnings of low earners in CETA preprogram earnings group and CPS comparison group 1974-77	89
11	Gross changes in Social Security earnings of intermediate or mixed earners in CETA preprogram earnings group and CPS comparison group 1974-77	89
12	Gross changes in Social Security earnings of high earners in CETA preprogram earnings group and CPS comparison group 1974-77	89

EXHIBIT

1	Comprehensive Employment and Training Act titles in 1973 and 1978 compared	9
2	Proposed economic and noneconomic benefits from employment and training programs	21
3	Summary of studies relating placement to earnings gains	27
4	Sources of selection bias in evaluations of employment and training programs	35
5	Estimates of the degree of substitution and displacement associated with PSE	106

ABBREVIATIONS

AFDC	Aid to Families with Dependent Children
AS	Ancillary services
BLS	Bureau of Labor Statistics
CETA	Comprehensive Employment and Training Act

(Abbreviations continued)

CLMS	Continuous Longitudinal Manpower Survey
CP/PV	Corporation for Public/Private Ventures
CPS	Current Population Survey
CT	Classroom training
DOL	U.S. Department of Labor
GAO	U.S. General Accounting Office
LLSIL	BLS Lower Living Standard Income Level
OJT	On-the-job training
OMB	Office of Management and Budget
PEP	Public Employment Program
PSE	Public Service Employment
PSIP	Private Sector Initiative Program
Pub. L. No.	Public law number
SSI	Supplemental Security Income
TQ	Transition quarter
WE	Work experience

CHAPTER 1

INTRODUCTION

The Federal Government spent more than $14 billion for employment and training activities in fiscal year 1979, a substantial increase over the $250 million it committed to this area in fiscal year 1961. Over the past two decades, it has tried to ease both structural unemployment, resulting from a chronic mismatch between the skills that job seekers have and the skills that employers seek, and cyclical unemployment, resulting from a decrease in aggregate demand for the economy as a whole. The basic types of program service--classroom and on-the-job training, subsidized work opportunities, and counseling and referral--remained fairly standard in those 20 years, but the mix of services changed as emphasis shifted between counterstructural and countercyclical objectives.

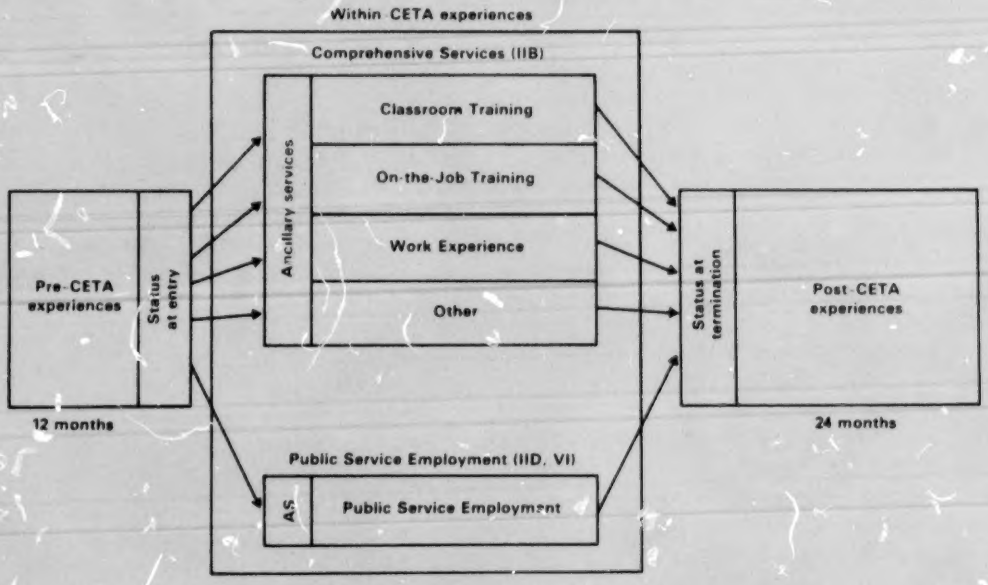
For more than the first half of the period, or before 1974, the Federal Government administered most employment and training programs directly, through some 10,000 contracts with the U.S. Department of Labor, but this too changed dramatically. With the passage of Public Law 93-203, the Comprehensive Employment and Training Act of 1973, or CETA, control over employment and training services shifted to State and local governments. Many programs were decentralized and decategorized because decisions on whom to serve and what services to provide were believed better made at State and local levels.

About $9.4 billion of the $14 billion spent for employment and training programs in fiscal year 1979 was for services delivered under CETA. The financial commitment to these programs decreased after 1979 and some activities, such as public service employment, have been terminated. Questions have been raised about the merits of these programs and their effectiveness and whether and how they should be improved. CETA's 1982 reauthorization date is approaching, and so it is especially important to know how the programs are functioning and how effective the various types of service are.

OBJECTIVES, SCOPE, AND METHODOLOGY

We undertook our review in response to a request from the Honorable Augustus Hawkins, Chairman of the Subcommittee on Employment Opportunities of the U.S. House of Representatives. He asked us to assess and integrate existing evaluation information on four types of CETA services--classroom training, on-the-job training, work experience, and public service employment. Accordingly, we focused our review on adult-oriented services delivered through CETA, specifically on title IIB, the major Comprehensive Services title, and titles IID and VI, the Public Service

Figure 1
Areas Covered by the Review of the Comprehensive Services and Public Service Employment Titles



Employment titles. 1/ Synthesizing the available information, we set as our objectives to integrate what we judged to be the soundest and most comprehensive information on CETA adult services, to summarize what we know about service implementation and effectiveness, and to raise pertinent questions about what we do not know.

Throughout our review, we tried to answer five questions:

1. Who were the enrollees?
2. What types of service and what benefits were provided to them?
3. Who were the recipients of the various types of service?
4. What were the employment experiences of the enrollees, both before and after participating in CETA?
5. How effective were the services?

Figure 1 displays the general areas covered by questions 1 through 4. The information we present in this report describes the ex-

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1/We use the terms "adult services" and "adult-oriented services" to refer to services for adults and for youth who are not in school. We use the terms "Comprehensive Services" to refer to title IIB and "Public Service Employment" or "PSE" to refer to titles IID and VI of the Act, although title IIC data on upgrading and retraining are sometimes combined with title IIB

periences of CETA participants one year before their entrance to CETA, their characteristics at the time they enrolled, the mix of services and within-program benefits they received, their satisfaction with CETA, their status at the time they terminated from CETA, and their experiences after CETA for up to 24 months. We also asked the same five questions about a recent addition to CETA, title VII, the Private Sector Initiative Program, but information is limited and our summary of this program is brief. Finally, some of our questions led us to review existing research on the extent of substitution and displacement associated with PSE and some of the other macroeconomic issues associated with employment and training programs. Most of the information in this report was communicated to House and Senate staff during a joint briefing in October 1981.

We were helped in identifying many of our information sources by the U.S. Department of Labor (DOL), in particular by the Office of Program Evaluation and the Office of Research and Demonstration in the Employment and Training Administration and by the Office of the Assistant Secretary for Policy, Evaluation, and Research. Among the literature and data we used were DOL participant characteristics, program status, and financial summary reports and DOL evaluation studies. We analyzed reports of the National Commission for Employment Policy, the National Council on Employment Policy, and independent evaluators and academic researchers. We relied heavily on data from the Continuous Longitudinal Manpower Survey, a survey that tracks CETA participants after they terminate from the program, and analyses of the survey data conducted by Westat, Inc., some of which were performed for the present review. The reference list in appendix VI serves both as a selected bibliography, somewhat narrower than the full scope of our information sources, and a citation list for material we quote and discuss in the report.

The criteria we used in deciding which reports and data sources to analyze and summarize included questions about the rigor of the study design, the adequacy of the sampling strategy, the relevance and quality of the data, the appropriateness of statistical analyses, how well the results could be generalized, and comprehensiveness. This means that we excluded, for example,

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data because of aggregation procedures the U.S. Department of Labor uses for the prime sponsor reporting system. Since IIC is a relatively small component of the total, distortion is minimal. Additionally, our information on IIB does not give us a pure picture of CETA adult services because in-school work experience services are not separable from services for out-of-school youth and adults. Information on titles IID and VI is presented separately at some times and combined at others because of constraints imposed by the form of the available data and because of the undifferentiated nature of the PSE titles during CETA's later years.

State and local evaluation reports that had been designed largely for local administrative purposes or that duplicated information otherwise available at the national level. Except for fiscal year outlays, we also excluded data on program costs from our review. We included all major national evaluations of CETA adult services in our review. Where appropriate, we have pointed out the limitations of data sources and the degree of confidence warranted in study findings.

As we sought information sources, the limitations of available data became apparent. For instance, data were available through fiscal year 1980 for the characteristics of participants when they entered CETA, the mix of services they received, and their status when they exited, but detailed data on experiences before, during, and after CETA were available only for early participants, those who enrolled between January 1975 and June 1976. Likewise, estimates of CETA's effect on participants' earnings after they left CETA were available only for fiscal year 1976 participants. 1/ Moreover, changes in the PSE titles and resulting shifts in the characteristics of participants and the nature of PSE services hamper the usefulness of early data for assessing PSE's recent performance, although the information on classroom and on-the-job training as well as on work experience is less vulnerable in this way.

To understand the types of employment and training services and benefits provided to CETA participants, it is necessary to start with the original program in 1973 and track changes in its size, structure, and method of operation up to the present. In addition, CETA must be placed in context with respect to national labor market conditions and local political and fiscal circumstances. Accordingly, we do this in chapter 2, setting the background for our discussion of evaluation issues. In chapter 3, we examine a variety of evaluation criteria for employment and training programs and discuss their appropriateness for assessing the four types of service. We also outline the strengths and weaknesses of various evaluation strategies.

We have broken out our analysis of the Comprehensive Services and PSE titles information in the following way. We describe first their implementation aspects, presenting information on the characteristics of participants, the mix of services, and the nature of services in chapter 4. Following this, we summarize the information on within-program experiences and benefits in terms of earnings, ancillary services, and satisfaction. We also present data on the status of participants at the time they exited from CETA.

1/These estimates are for 1977 earnings. Additional analyses of CETA's effect on this group's 1978 earnings, and the first set of estimates for 1977 participants, are due to be released by DOL in 1982.

Then, in chapter 5, we summarize what is known about the earnings and employment experiences of several groups of early participants in CETA for 12 months before the program and up to 24 months after it. We include in this summary information on earnings, percentage of time employed, percentage of participants employed at selected times, hourly wage rates, receipt of public benefits and Unemployment Insurance, and location of employment in the private and public sectors. We are able to provide earnings information for subgroups by gender, race, education, and other characteristics.

We summarize in chapter 6 the only nationally generalizable information on the effectiveness of CETA adult services with reference to net changes in earnings. It is based on comparisons of 1977 earnings covered by Social Security for the Continuous Longitudinal Manpower Survey sample of fiscal year 1976 CETA participants and match groups drawn from the Current Population Survey. We present distributions of earnings changes for 1974-77 for these groups as well.

Our brief overview of the Private Sector Initiative Program, title VII, is in chapter 7. It is confined for the most part to a description of the startup of PSIP, the characteristics of the participants, the types of service provided them, and the status of termineas at the time they left the program.

In chapter 8, we identify some of the macroeconomic issues regarding employment and training programs and review studies on the extent of substitution and displacement associated with Public Service Employment programs.

We present a summary and interpretation of the major findings of the review in chapter 9. We also point out gaps in our information on CETA adult services, and we suggest some ways of increasing our knowledge in the future.

The request letter from Augustus F. Hawkins, Chairman of the Subcommittee on Employment Opportunities of the House Committee on Education and Labor, is reproduced in appendix III. We requested comments on a draft of this report from the U.S. Department of Labor; DOL's comments are reproduced in appendix IV.

CHAPTER 2

CETA'S CONTEXT--THE BACKGROUND FOR EVALUATION

A general overview of the Comprehensive Employment and Training Act from its inception in 1973 to the time we initiated our review shows that it changed in both structure and objectives. While the nature of the program widened to combat not only unemployment caused by mismatches between employers' needs and job seekers' skills but also unemployment caused by downturns in the business cycle, its eligibility requirements narrowed, coming to focus more sharply on the economically disadvantaged. The program became increasingly complex and categorical in nature as more groups with special needs were identified and targeted. CETA's size and resources, however, were never of the same magnitude as the unemployment problem. Additionally, sometimes it proved difficult to reconcile local and national objectives for CETA. 1/

HOW THE STRUCTURE OF CETA CHANGED BETWEEN 1973 AND 1978

When it was enacted in 1973, the Comprehensive Employment and Training Act (Pub. L. No. 93-203) was meant to respond to criticisms that employment and training efforts were duplicative at the local level and that national control over them needed a different emphasis. As part of the "new federalism" early in the 1970's, the CETA legislation was grounded in the belief that fiscal resources for addressing unemployment are dominantly Federal while knowledge of local needs for employment and training services resides with local authorities. Up to 1973, federally assisted employment and training programs had evolved independently into a patchwork of activities and funding mechanisms:

> By the end of the 1960s, there were more than 17 programs, each with its own legislative and organizational base, funding source, and regulations. Out of these so-called categorical programs flowed 10,000 or more specific manpower projects, often several in the same community competing for the same clientele and resources. These programs generally were conducted through public and nonpublic agencies but not through the local governments themselves. (Mirengoff and Rindler, 1976, p. 2)

1/Since the time we initiated this review, the Public Service Employment titles, IID and VI, have been discontinued, as has the Young Adult Conservation Corps, title VIII. Realizing the program is still in flux, we have used the terminology of the 1978 CETA Amendments when referring to specific titles.

CETA was to be an umbrella over this multitude of employment and training programs.

Although several factors influenced this reorganization, a major assumption in the legislation of 1973 was that the Act would give local officials the flexibility to match services to clients' needs and local labor market conditions, thereby improving service effectiveness and countering the unemployment that is caused by discrepancies between employers' needs and job seekers' skills--so-called structural unemployment. Control over the mechanisms of planning, administering, and delivering employment and training services was decentralized, so that local government officials could be freer to decide whom to serve and what services to provide. Accordingly, CETA subsumed employment and training services under four titles.

Title I, the Comprehensive Services title, authorized a wide range of employment and training activities. Among them were outreach, individual assessment, and counseling. On-the-job training was included, as was classroom training for basic and occupational skills. Training allowances, employment expense allowances, development of local labor market information, transitional public service programs, and supportive services were all also provided for.

Title II, the public employment programs title, authorized the creation of transitional public service employment jobs for people unemployed and underemployed in areas of substantial unemployment.

Title III, "Special Federal Responsibilities/Special Target Groups," mandated the Secretary of Labor to provide additional employment and training services to groups with special need of such services. These included youth, offenders, people with no or only limited ability to speak English, older workers, and other groups experiencing particular hardship in the labor market.

Finally, title IV continued the already existing Job Corps. The Job Corps, originally created in 1964, is a primarily residential program for assisting disadvantaged youth in improving their employability in the labor market.

Thus we see that, even in the beginning, CETA was not completely decentralized and decategorized. Only titles I and II of the 1973 Act gave control of services to local authorities. Local flexibility in determining service mix was truly operational only within title I.

Focusing on the titles, however, does not give an entirely accurate picture of the changes that CETA instituted. In fiscal year 1975, $319 million was spent for title VI, a new public service employment program to combat cyclical unemployment--the unemployment accompanying downturns in the business cycle.

Even so, title I, the Comprehensive Services title, accounted for approximately $899 million, by far the largest proportion of the fiscal year 1975 CETA outlays.

Since then, CETA has undergone major restructuring. The relatively straightforward mechanism for delivering employment and training services was modified over the five-year period 1973-78. CETA increased in complexity as purposes for the program multiplied and as more groups with specific needs were identified and targeted. After 1978, there were eight separate titles, and eleven titles or subtitles authorized the delivery of employment and training services. Exhibit 1 juxtaposes the 1973 and 1978 titles with roughly similar services.

As we see from the exhibit, the 1978 title IIB was comparable to the 1973 title I, the Comprehensive Services component of the system. Title IIC, a small component, authorized occupational upgrading and retraining activities for entry level employees and people facing impending layoffs, while title IID, roughly comparable to the old title II, was a counterstructural, sometimes called transitional, public service employment program for welfare recipients and people with low incomes or long-term unemployment.

Title III continued the National Programs, detailing special Federal responsibilities to certain groups. It was almost the same as the original title III, except that youth programs were moved to title IV and more groups were listed as requiring special consideration. Title IV covered the youth programs, continuing those authorized under the Youth Employment and Demonstration Projects Act of 1977, the Job Corps, and the Summer Youth Program.

Title VI, a countercyclical program, authorized subsidized public service employment during periods of high unemployment. Meanwhile, title VII, the Private Sector Initiative Program, provided for a demonstration program to increase private sector participation in employment and training activities and to increase private sector employment opportunities for people who are disadvantaged and unemployed or underemployed.

Finally, title VIII established the Young Adult Conservation Corps. It operated year round and enrolled both disadvantaged and nondisadvantaged youth in conservation jobs in national parks and forests and on other public land.

After the 1978 restructuring, the CETA system remained fairly well decentralized. Many services under the new titles were administered by the same local authorities who administered services under the Comprehensive Service title, but local control in selecting target groups and services lessened.

The Comprehensive Services title (title I in 1973, reauthorized as IIB in 1978) remained a major component of the CETA

Exhibit 1

Comprehensive Employment and Training Act Titles in 1973 and 1978 Compared a/

CETA 1973 (Pub. L. No. 93-203)	CETA AS AMENDED IN 1978 (Pub. L. No. 95-524)
Title VI: General Provisions	Title I: Administrative Provisions
	Title IIA: Comprehensive Employment and Training Services: Financial Assistance Provisions
Title I: Comprehensive Manpower Services Establishes nationwide program of comprehensive employment and training services (training, employment, counseling, assessment, placement) for the economically disadvantaged, unemployed, or underemployed; administered by State and local government.	Title IIB: Comprehensive Employment and Training Services: Services for the Economically Disadvantaged Establishes nationwide program of comprehensive employment and training services (training, counseling, supported work, work experience, supportive services) for the economically disadvantaged, unemployed, underemployed, and people in school; administered by State and local government.
	Title IIC: Comprehensive Employment and Training Services: Upgrading and Retraining Authorizes providing financial assistance to public and private employers for costs associated with upgrading entry-level employees; permits prime sponsors to retrain people facing impending layoffs with little chance of equivalent future employment.
Title II: Public Employment Programs Authorizes a program of transitional employment for unemployed and underemployed, providing services in areas of substantial unemployment; training and manpower services to be provided whenever possible to enable movement into unsubsidized employment.	Title IID: Comprehensive Employment and Training Services: Transitional Employment Opportunities for the Economically Disadvantaged Authorizes a public service employment program for the economically disadvantaged.
Title IIIA: Special Federal Responsibilities: Special Target Groups Provides for nationally sponsored programs and supervised manpower services to youth, offenders, people with limited English, Native Americans, migrant and seasonal farmworkers, and others particularly disadvantaged in the labor market.	Title IIIA: Special Federal Responsibilities: Special National Programs and Activities Provides for nationally sponsored programs and employment and training services to youth, offenders, people with limited English, Native Americans, migrant and seasonal farmworkers, Veterans, the handicapped, older workers, displaced homemakers, single parents, people lacking education credentials, public assistance recipients, women, and others.
Title IIIB: Special Federal Responsibilities: Research, Training, and Evaluation Authorizes research, demonstration, and evaluation programs; administered by the Secretary of Labor.	Title IIIB: Special Federal Responsibilities: Research, Training, and Evaluation Continues research, demonstration, evaluation, and labor market information activities.
	Title IVA: Youth Programs: Youth Employment Demonstration Program Establishes demonstration program to help solve structural unemployment.
Title IV: Job Corps Authorizes the Job Corps, a primarily residential program of education, skills training, and counseling for disadvantaged youth.	Title IVB: Youth Programs: Job Corps Authorizes the Job Corps, a primarily residential program of education, skills training, and counseling for economically disadvantaged youth.
	Title IV: Youth Programs: Summer Youth Programs Authorizes prime sponsors to conduct summer programs containing useful work, basic education, and employability development activities for economically disadvantaged youth.
Title V: National Commission for Manpower Policy	Title V: National Commission for Employment Policy
	Title VI: Countercyclical Public Service Employment Program Establishes a program to provide temporary employment during periods of high unemployment; eligibility requires receipt of public assistance or unemployment in 10 of 12 preceding weeks and family income at or below Bureau of Labor Statistics lower living standard.
	Title VII: Private Sector Opportunities for the Economically Disadvantaged Authorizes a demonstration program to obtain more private sector participation in CETA efforts to assist the disadvantaged; establishes Private Industry Councils to work with CETA prime sponsors in assisting CETA participants to move to unsubsidized jobs in the private sector.
	Title VIII: Young Adult Conservation Corps Authorizes a year-round corps of people 16-23 years old to do conservation work on public land.

a/Roughly similar titles are juxtaposed.

Table 1

Comprehensive Services and Public Service Employment Outlays for Fiscal Years 1975-80 (in Millions of Dollars) a/

	1975	1976	TQ1976	1977	1978	1979	1980
Title IIB-C Comprehensive Services b/	899.1	1,697.5	436.0	1,756.2	1,974.6	1,801.6	2,143.8
Title IID Counterstructural Public Service Employment	519.2	550.1	398.5	1,137.5	994.8	1,738.2	1,856.6
Title VI Countercyclical Public Service Employment	319.2	1,866.3	198.4	1,698.9	4,769.4	3,285.2	1,778.1
Titles IID and VI Combined Public Service Employment	838.4	2,416.4	596.9	2,836.4	5,764.2	5,023.4	3,634.6

Source: U.S. Department of Labor, Employment and Training Administration.

a/Title designations are for 1978. Fiscal years 1975 and 1976 begin July 1; fiscal years 1977, 1978, 1979, and 1980 begin October 1. TQ 1976, the transition quarter July 1 to September 30, 1976, is a bridge between 1976 and 1977.
b/Total costs include outlays to Prime Sponsors, Governor's Vocational Education, State Employment and Training Councils, State Coordination and Special Services, and Governor's Linkages Grant.

system throughout fiscal years 1975-80, but its primacy was challenged by the growth of the Public Service Employment (PSE) titles (title II in 1973, titles IID and VI in 1978). Table 1 shows that outlays for the combined PSE titles exceeded outlays for the Comprehensive Services title for all fiscal years but 1975. Moreover, the estimated numbers of individuals served through PSE came close to those estimated for Comprehensive Services in fiscal years 1978 and 1979, as can be seen in table 2. Approximately one and a quarter million people were served under the Comprehensive Services title in fiscal years 1978 and 1979; almost as many were served through the combined PSE titles.

Soon after CETA became operational in July 1974, the Emergency Jobs and Unemployment Assistance Act of 1974 (Pub. L.

Table 2

Number of Individuals Served Through Comprehensive Services and Public Service Employment Titles, Estimates for Fiscal Years 1975-80 a/

	1975	1976	TQ1976	1977	1978	1979	1980
Title IIB-C Comprehensive Services	1,122,000	1,731,500	807,900	1,415,600	1,331,500	1,193,727	1,113,844
Titles IID and VI Public Service Employment b/	366,800	584,860	382,110	783,341	1,207,022	1,105,199	847,226

Source: U.S. Department of Labor, Employment and Training Administration.

a/Title designations are for 1978. Each total is the total current enrollment at the beginning of the period plus the additional new entrants throughout the entire period. Fiscal years 1975 and 1976 begin July 1; fiscal years 1977, 1978, 1979, and 1980 begin October 1. TQ 1976, the transition quarter July 1 to September 30, 1976, is a bridge between 1976 and 1977.
b/Estimates for titles IID and VI exclude intertitle transfers.

No. 93-567) modified it. With this legislation, the Congress was responding to a deepening recession by adding the countercyclical public service employment component in title VI. The original PSE title (title II of the 1973 Act) had been a minor component of the system, creating jobs only in targeted areas of the country with high unemployment. PSE became a nationwide activity, no longer confined to areas of high unemployment. As the recession worsened, the Congress enacted the Emergency Jobs Programs Extension Act of 1976 (Pub. L. No. 94-444), extending public service employment and tightening the eligibility requirements. Early in 1977, under a new administration, public service employment was sharply expanded as part of an economic stimulus program. This rapid expansion shifted the nature of the CETA system significantly. The percentage of CETA outlays for PSE nearly doubled, rising from 31 percent in 1975 to 60 percent in 1978.

By 1978, CETA could no longer be called an employment program for reducing structural unemployment by creating better matches between employers' needs and the skills of disadvantaged job seekers. With the addition and expansion of public service employment programs, CETA had become, at least for a time, a dual program to combat two major dysfunctions of the labor market--both structural and cyclical unemployment.

THE REFOCUSING OF CETA'S ELIGIBILITY REQUIREMENTS

Along with the changes noted above, CETA's adult services were given rather complicated refocusing after 1973. This can be seen in the changing statements of purpose for the titles, in the changing eligibility requirements, and in the increasing restrictions on the nature of services. In general, these changes were designed to target services for adults more toward the disadvantaged unemployed and to reduce real or perceived abuses in the program.

The purpose of the Comprehensive Services title in 1973, as stated in the legislation, was

> to establish a program to provide comprehensive manpower services throughout the Nation. Such program shall include the development and creation of job opportunities and training, education, and other services needed to enable individuals to secure and retain employment at their maximum capacity. (Pub. L. No. 93-203, sec. 101)

The regulations that implemented the legislation specified that individuals qualified for services had to be economically disadvantaged or unemployed or underemployed. People defined as economically disadvantaged were members of families receiving cash welfare payments or whose annual income did not exceed the poverty level established by the Office of Management and Budget.

The reauthorization of CETA in 1978 tightened these eligibility requirements. Individuals seeking services under title IIB were henceforth required to be both economically disadvantaged and unemployed, underemployed, or in school. Thus, while people had been able to qualify for CETA services under the Comprehensive Services title in the early years simply by virtue of relatively brief unemployment, after 1978 all participants were required to meet an income test. Moreover, public service employment was excluded as an allowable activity under title IIB.

A more pronounced shift toward serving the disadvantaged occurred for PSE title II (IID in 1978). The stated purpose of this title in the 1978 Amendments emphasized economic disadvantage as part of the criteria for eligibility whereas the 1973 Act had not. The 1973 Act had said that the title was

> to provide unemployed and underemployed persons with transitional employment in jobs providing needed public services in areas of substantial unemployment and, wherever feasible, related training and manpower services to enable persons to move into [unsubsidized employment]. (Pub. L. No. 93-203, sec. 201)

Areas of substantial unemployment were defined as areas with a rate of unemployment equal to or greater than 6.5 percent for three consecutive months. Under the 1978 Amendments, programs authorized by title IID were

> to provide economically disadvantaged persons who are unemployed with transitional employment in jobs providing needed public services, and related training and services to enable such persons to move into [unsubsidized employment or training]. (Pub. L. No. 94-524, sec. 231)

The length of unemployment necessary to qualify an individual for a title IID job also changed. In 1973, it was necessary to be unemployed only for 30 days. The 1978 Amendments required unemployment for at least 15 weeks before enrollment, but the regulations later revised this to 15 weeks of the preceding 20.

After 1978, PSE title IID was called the counterstructural PSE title. The 1978 Amendments stressed the need to increase training opportunities to enhance the employability of title IID PSE participants. The proportion of the title IID allocation to be used for training in each fiscal year was required to be no less than 10 percent in 1979, 15 in 1980, 20 in 1981, and 22 in 1982. Before 1978, title II public service employment was authorized only in areas of substantial unemployment. The 1978 Amendments removed this restriction so that the program could serve the economically disadvantaged in all areas.

In summarizing the major legislative and regulatory changes, it is apparent that the focus of the original PSE compo-

nent of CETA shifted after 1978 to people who were economically disadvantaged and had significant histories of unemployment. Additionally, the prime sponsors--the units of government through which services were to be delivered--were required to increase their efforts to provide training in combination with subsidized jobs. This, of course, gave more emphasis to the transition of participants into unsubsidized employment.

Title VI of the public service employment provisions also underwent fairly dramatic changes in the course of its existence between 1974 and 1978. The Emergency Jobs and Unemployment Assistance Act of 1974 had as its stated purpose to provide

> transitional employment for unemployed and underemployed persons in jobs providing needed public services, and training and manpower services related to such employment which are otherwise unavailable, and enabling such persons to move into [unsubsidized employment]. (Pub. L. No. 93-567, sec. 602(a))

In general, enrollees were required to have been unemployed for at least 30 days before application or to be underemployed, and additionally they were required to reside in the prime sponsor's jurisdiction.

When title VI was expanded in 1976 by the Emergency Jobs Programs Extension Act (Pub. L. No. 94-444), the earlier eligibility criteria were permitted to remain in effect for 50 percent of the positions already existing, but more stringent criteria were set for the remaining 50 percent and for all positions in new PSE projects and activities. People enrolling under these new and stricter criteria had to be economically disadvantaged or a member of a family whose total income was at or below 70 percent of the BLS lower living standard. Additionally, an individual had to be unemployed during 15 of the 20 weeks preceding application or had to have exhausted unemployment benefits or had to have a family receiving Aid to Families with Dependent Children.

The 1976 Act required prime sponsors, local program agents, to create new public service employment positions in projects of no more than 12 months duration rather than in ongoing activities. Projects were defined as activities that produced a specific product, had a definite time frame, and were not activities that would have been done in the absence of PSE funds. The 1976 Act also established a national average annual public service employment wage of $7,800, with a maximum of $10,000. The time limit on projects was meant to prevent substitution and displacement--that is, the substitution of PSE funds for local money and the displacement of workers on the regular payroll by subsidized PSE workers:

> Previously, the length of time that enrollees could remain in PSE jobs was unspecified and cases were reported

of persons who had been hired under the Emergency Employment Act of 1971 who were still on the CETA payroll. (Mirengoff, 1980, p. 30)

Requiring prime sponsors to create PSE jobs in special projects of limited duration was a step toward curbing these problems.

In 1978, the CETA Amendments made eligibility criteria for title VI PSE enrollees a little more lenient but tightened the wage restrictions. Participants were now required to be unemployed for only 10 of the 12 weeks preceding application. The family income requirement was relaxed slightly, to 100 percent of the BLS lower living standard. The restriction on PSE wages was lowered to a $7,200 average wage rate, still with a $10,000 maximum, while adjustments were allowed in some high wage areas. The limitation on duration of projects was relaxed to 18 months, and individual participation was limited to 18 months within a 5-year period. Congruent with its role as a countercyclical program component, training activity received much less emphasis for title VI than was the case for IID.

In short, these changes in Comprehensive Services and Public Service Employment concentrated CETA's focus on the disadvantaged and laid stress on providing training opportunities for PSE participants. In addition, the operational restrictions on PSE were designed to reduce program abuses and prevent fiscal substitution of PSE money for local funds. Knowing what these changes were and when they happened is important for interpreting information about the characteristics of who was served, what the results were for participants, and how effective programs were and for estimating the extent of substitution and displacement.

CETA'S SERVICE DELIVERY MECHANISM--THE DIVERSITY OF PRIME SPONSORS

CETA employment and training services delivered by State and local governments operate primarily through the mechanism called "the prime sponsor." In general, prime sponsors are units of government--cities, counties, consortia of cities or counties, and States--that represent at least 100,000 people. Applicants for prime sponsor must design comprehensive service plans for their jurisdictions and submit the plans to DOL for approval. Approximately 475 prime sponsors currently deliver employment and training services under CETA, and there are enormous variations in their characteristics and circumstances--not only of the prime sponsors but of the kinds of service they deliver as well.

Some prime sponsors cover a single city or county; some cover several cities or counties; some cover a combination of cities and counties through a consortium of local government units. A few prime sponsors are statewide prime sponsors. Some are "balance of State" prime sponsors and cover all the areas in a State not in the jurisdictions of others. The catchment areas of prime sponsors thus differ in the degree of their geographical

spread, in their character as urban or rural, and also in terms of unemployment level and the structure and size of the local labor market. This diversity greatly complicates the evaluation of the effectiveness of CETA services.

Prime sponsors differ further in their service delivery structures and the mix of employment and training services they provide. Some prime sponsors elect to deliver all services through their own staffs, while others use subcontractors for all or part of their service responsibilities. Estimates of the number of prime sponsor CETA subcontractors nationally run as high as 55,000 and include school systems, other government agencies, community-based organizations, nonprofit organizations, and private businesses. Thus, the simplification obtained nationally by reducing the number of contracts DOL administers directly is somewhat counterbalanced by the large number of contracts executed locally between prime sponsors and their subcontractors.

Because a major reason for CETA was to decategorize and decentralize employment and training services in order to permit local flexibility, it is not surprising that the mix of services varies widely among prime sponsors. One may emphasize classroom training, perhaps as a function of the availability of such training resources in the community. Another may provide a substantial amount of on-the-job training because its area's employers are receptive to such efforts. Yet others may try to provide an even mix of services. Moreover, selecting a service mix is the product of many considerations, including staff philosophy, the interests of local community groups, judgments about the needs of local enrollees, assessments of what is available among community resources, and anticipations of the levels and types of job openings. For example, a prime sponsor in an urban area of high fiscal stress may find it difficult to develop training slots with private employers and thus put more emphasis on work experience than a prime sponsor in an area with less fiscal stress.

This heterogeneity of CETA at the local level creates problems in assessing overall CETA effectiveness nationally and in making comparative statements about the effectiveness of different service types. National comparisons of the effectiveness of different service types are likely to be confounded with the characteristics and circumstances of prime sponsors. In comparing the effectiveness of on-the-job and classroom training, for example, analysts may unintentionally also contrast the effects of other characteristics of prime sponsors, characteristics that may be associated with their decisions to emphasize or their ability to provide some services rather than others.

CETA'S SMALL SIZE RELATIVE TO THE UNEMPLOYMENT PROBLEM

Between 1973 and 1980, the size of the U.S. civilian labor force, the number of people employed, and the number of people

unemployed all increased dramatically. The size of the labor force rose by 18 percent--from 88.7 million to 104.7 million workers. The number of people employed rose by 15 percent--from 84.4 million to 97.3 million. The number of people unemployed (including those aged 16 or older) rose by 72 percent--from 4.3 million to 7.4 million. One of the most striking reasons for these increases was that the career and work patterns of women changed. Female labor force participation rose from 45 percent to 52 percent between 1973 and 1980.

Actually, in this period the unemployment rate increased dramatically and then decreased slowly before increasing again. In 1973, the unemployment rate stood at 4.9 percent. In 1975, it rose to 8.5 percent, decreasing slightly each year thereafter until 1979, when it stood at 5.8 percent. In 1980, it rose again to 7.1 percent.

Over the years 1973-80, the greatest number of people officially classified as unemployed occurred in 1975; there were 7.8 million unemployed in an average month in that year. The lowest number was in 1973, with 4.3 million. By 1980 the number stood at 7.4 million, representing a dramatic change over the figure of the year before, 6.0 million people unemployed in 1979. Thus, the absolute numbers of people unemployed dropped significantly from 1975 to 1979, but 1980 unemployment came close to matching unemployment in 1975, the deepest recessionary year during the eight years of CETA.

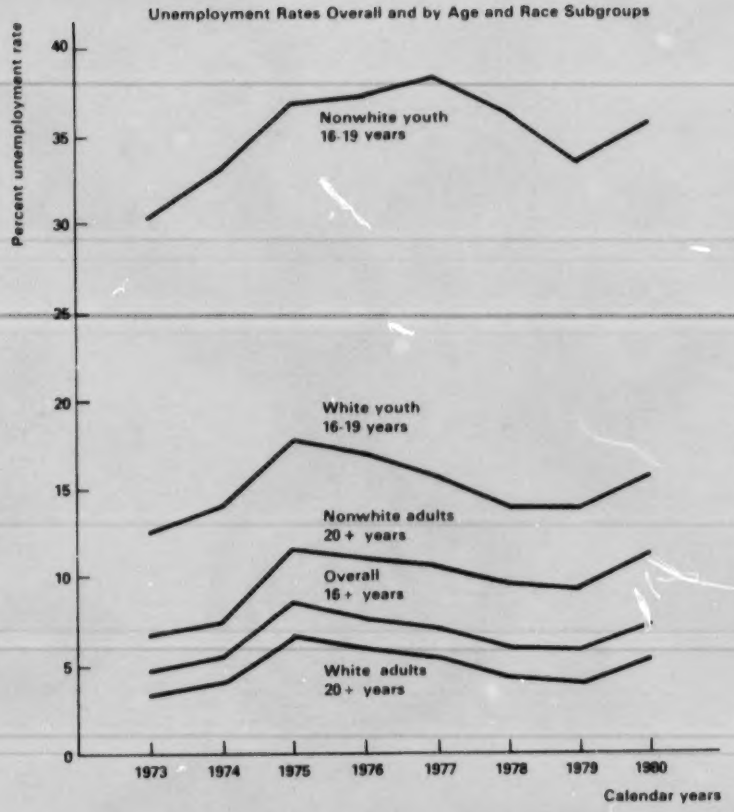
The overall statistics for employment and unemployment offer a summary picture of aggregate labor force activity, but they do not allow for analysis of the differing employment prospects by age, race, gender, and other classifications. When unemployment rates are broken down into sociodemographic subgroups, they are seen to vary widely. The burden of unemployment falls unequally in the United States, and the patterns did not change significantly between 1973 and 1980.

Figure 2 shows, for example, that youths 16 to 19 years old, especially nonwhites, had the highest rate of unemployment in 1973-80. In 1977, the unemployment rate for nonwhite youths was 38 percent, compared to 15 percent for white youths. The nonwhite adult unemployment rate (for people 20 and older) was consistently higher than the rate for white adults between 1973 and 1980.

Other statistical breakdowns reveal other differences in unemployment rates. In 1975, when overall unemployment was at 8.5 percent, teenagers averaged 19.9 percent unemployment, blue-collar workers averaged 11.7 percent, women aged 20 and older averaged 8 percent, and men aged 20 and older averaged 6.7 percent. Married men living with their wives had the lowest unemployment rate at 5.1 percent--a relative position they held consistently. Women maintaining families, on the other hand, had an unemployment rate of 10 percent.

Figure 2

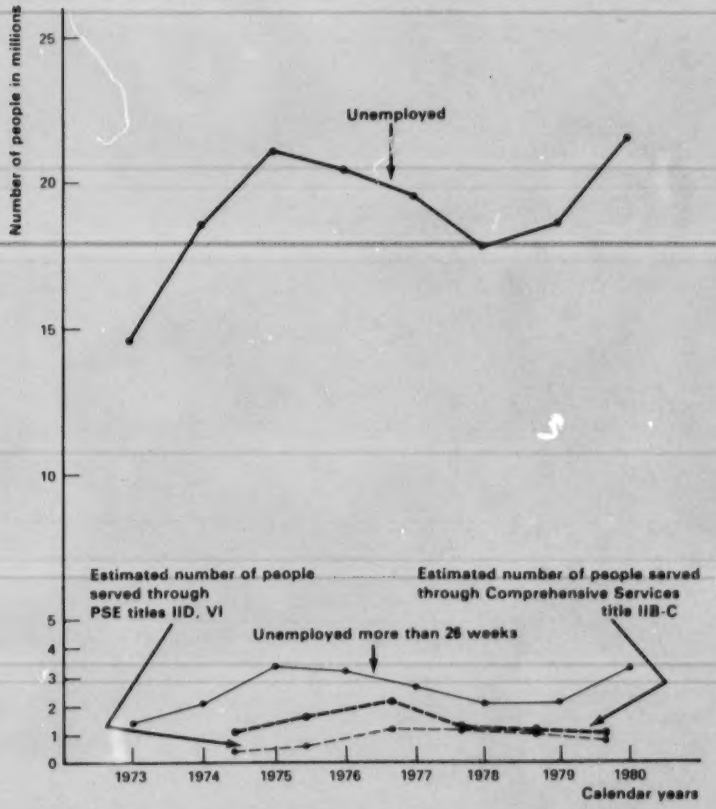
Unemployment Rates Overall and by Age and Race Subgroups



Source: Overall rates from *Economic Report of the President* (January 1981), table B-27; adult white and nonwhite rates from Department of Labor, Bureau of Labor Statistics, Current Employment Analysis Section; youth white and nonwhite rates 1973-79 from *Employment and Training Report of the President* (1980), table A-6; youth rates 1980 from Department of Labor, Bureau of Labor Statistics.

Figure 3

Number of People Unemployed and Number of People Unemployed More Than 26 Weeks Versus Estimated Numbers of Total People Served Through Comprehensive Services and Public Service Employment Titles 1973-80



Source: Estimates of numbers of people unemployed were obtained from the Bureau of Labor Statistics of the Department of Labor and are plotted at the end of the calendar year. Estimates of numbers of people served through Comprehensive Services and Public Service Employment titles appear in table 2 of this report and are plotted at the end of the fiscal year. Fiscal years 1975 and 1976 end June 30; fiscal years 1977 through 1980 end September 30. The transition quarter for 1976 (July 1 through September 30, 1976) is included in fiscal year 1977.

Under CETA legislation, certain titles and programs are meant, as we have seen, to address problems of cyclical and structural unemployment, cyclical unemployment being viewed as the result of a decrease in aggregate demand for the economy as a whole. Structural unemployment is viewed as the result of a more permanent mismatch between the skills available workers have and the skills the labor market demands. People are generally classified as structurally unemployed if they are out of work for more than 26 weeks. During 1973, 1.4 million people met this definition. The figure rose to 3.4 million in 1975, dropped to 2.1 million in 1978 and 1979, and again exceeded 3 million in 1980. 1/

Figure 3 presents information on the cumulative numbers of people unemployed because of structural unemployment or other reasons during each year 1973-80. Comparing these numbers with the estimated numbers of people served through CETA's Comprehensive Services and PSE titles, we can see in the figure that the magnitude of the unemployment problem greatly exceeded the capacity of CETA adult services to address it. In sum, while there were wide swings in the unemployment rate and in the absolute numbers of people looking for work, the relative ordering of various sociodemographic subgroups remained constant, and neither cyclical nor structural unemployment decreased noticeably over the period. In fact, in 1980, more than twice as many people were classified as structurally unemployed than when CETA was enacted in 1973. Moreover, the number of people who would be likely to find jobs if overall aggregate demand had increased enough--the cyclically unemployed--did not decline significantly.

PROBLEMS OF RECONCILING LOCAL AND NATIONAL OBJECTIVES

Decentralizing employment and training services, transferring responsibility to local governmental authorities, introduced a whole new set of administrative pressures. Whereas before 1973 deliverers of services had negotiated directly with DOL for contracts, after CETA's enactment local prime sponsor managers were responsible for negotiating all needed service contracts. Compounding the problem after CETA's enactment was the fact that local CETA administrators had very little time to sort out their priorities and select subcontractors. Beginning in July 1974 and following quickly with the addition of PSE title VI in December 1974, this stress increased. Prime sponsors who possessed little experience in the intricacies of such programs but who were sensitive to the needs of the various constituencies in their

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1/Unemployment longer than 26 weeks is a somewhat arbitrary indicator of the number of people whose skills do not match employers' needs and is also affected by the length and depth of a recession. Thus, it is not completely accurate to offer this number as a firm estimate of the number of people structurally unemployed in the United States.

communities often fell back on already existing employment and training frameworks.

Although it was anticipated that the communities would hold local program administrators accountable for the effectiveness of programs and that this, in turn, would be useful in bringing about effective service delivery systems, it turned out that prime sponsors were often held accountable in unforeseen ways also. For example, they had to cope with interest groups attempting to gain funding for specific subcontractors--some with histories of good performance and some without--and they had to demonstrate concern for certain constituent groups in their communities, perhaps sometimes at the expense of less vocal but equally needy groups.

Throughout the history of CETA, DOL has encouraged prime sponsors to coordinate with already existing service providers and to use community-based organizations. Prime sponsors, on the other hand, have sometimes deemed it unnecessarily troublesome to refuse funding to or to remove funds from an ineffective or poorly managed subcontractor, particularly when the subcontractor represents a powerful constituency in the prime sponsor's community. In other words, selecting the most effective mix of services and the best service deliverers had to compete with the priorities of local political agendas.

Divergence between local and national objectives has received the most attention with respect to the issue of substitution of public service employment funds for local money. CETA legislation has been designed to preclude State and local governments from using PSE funds to pay workers who are already on the payroll and to prevent the displacement of regular State or city workers with people hired under the PSE program. Nevertheless, the effect of recession on State and local tax collections sometimes has been to put local governments in the uncomfortable position of having to lay off regular employees while at the same time hiring only new employees into the PSE jobs. In many instances, humanitarian concern for the laid-off employees strained compliance with Federal regulations. We mention this only to point out that local objectives for CETA may differ in many ways from the program's national objectives and that it may sometimes be difficult to reconcile them.

CHAPTER 3

CONSIDERING ALTERNATIVE BASES FOR EVALUATING CETA'S EFFECTIVENESS

Assessing the effectiveness of employment and training programs is a complex task under any circumstance. For a program that has pronounced local variation, as CETA does, the task is extremely difficult. Statements on program effects can seldom be offered without qualification. Evaluation studies at best serve to provide background information for informed decisionmaking rather than firm answers. In this chapter, we point to topics in the employment and training evaluation literature that are relevant to kinds of information we present in subsequent chapters of this report. In discussing the evaluation of CETA adult services, we review evaluation criteria and present an outline of the strengths and weaknesses of relevant evaluation designs.

IDENTIFYING THE APPROPRIATE CRITERIA FOR EVALUATING CETA

A variety of both economic and noneconomic benefits have been suggested for employment and training programs, and generally such programs are seen as benefiting both program participants and society. Relationships among perceived benefits are, therefore, complex. They may be associated, for example, with the period of program participation, with the period after participation, or with both. Day care services represent within-program benefits to participants, reduced dependence is a post-program benefit to both participants and society, and increased earnings may occur both within and after program participation.

Further, the relationships among benefits are complex in that some are direct while others are indirect. Ancillary services like child care constitute direct benefits, while a reduction in crime stemming from more stable employment is an indirect benefit. Similarly, benefits directed toward one group may translate indirectly into benefits for others. For example, increased earnings for program participants may translate into benefits for local governments through increased tax revenues. Alternatively, benefits for one group sometimes involve costs to others. The payment of training allowances is a benefit to the participant but constitutes a cost to the taxpayer. Exhibit 2 presents a rough classification of benefits by type and recipient.

Using all these as criteria to evaluate CETA would be both prohibitively expensive and perhaps redundant, since many of them appear to be closely related. For example, increases in participant earnings and in employment stability seem likely proxies for many of the other benefits. Most evaluations of employment and training programs have, in fact, been confined to assessments of the economic effects, particularly in terms of

Exhibit 2

Proposed Economic and Noneconomic Benefits
from Employment and Training Programs

FOR PARTICIPANTS	FOR SOCIETY
Economic benefits	Economic benefits
Increased wages and earnings	Increased employment
Training allowances and within-program wages	Reduced unemployment
Training and education	Increased GNP
Increased employment stability	Increased tax revenues
Better housing	Increased value of goods produced
Ancillary services--health and dental care, day care, transportation, personal counseling	Decreased administrative costs and transfer payments for other social programs
	Reduced crime
	More stable prices
	Increased skill level of labor force
Noneconomic benefits	Noneconomic benefits
Eased entry into the labor force	More equitable income distribution
Acquisition of work experience, work history, better work habits, greater work satisfaction and motivation	Help to the disadvantaged
	Increased social stability
	Fostering of good will
Acquisition of skills and basic education	Better race relations
Alleviation of boredom	
Independence and improved self-esteem	
Improved family life	
Improved social status	

Source: See C. R. Perry et al., The Impact of Government Manpower Programs in General and on Minorities and Women (Philadelphia: University of Pennsylvania, 1975), and M. E. Borus, Measuring the Impact of Employment-Related Social Programs (Kalamazoo, Mich.: The Upjohn Institute for Employment Research, 1979).

earnings, from the perspective of the program participants. One exception is the recently completed evaluation of Job Corps, a youth program outside the scope of this report. (Mathematica, 1980) A few attempts have also been made to assess the macroeconomic effects of employment and training programs, and we shall discuss issues associated with these in chapter 8.

Identifying the appropriate evaluation criteria for CETA adult services requires both attention to the legislative objectives for CETA and an examination of what is known about the nature of its services. Further, it is necessary to determine what evaluation criteria are consistent with each service type

and whether these criteria and the program's legislative objectives are congruent.

If we begin with the overall statement of purpose in the CETA Amendments of 1978, we find a very specific statement of what CETA is to accomplish:

> It is the purpose of this Act to provide job training and employment opportunities for economically disadvantaged, unemployed, or underemployed persons which will result in an increase in their earned income . . . . (Pub. L. No. 95-524, sec. 2)

The emphasis is clearly on participants realizing gains in earnings.

In the paragraphs below, we describe four types of CETA adult service and discuss the appropriateness of the earnings criterion--that is, of assessing the effectiveness of services by measuring changes in the participants' earnings. Three of these services--classroom training, on-the-job training, and work experience--are commonly termed "employability development activities" because they are designed to increase an individual's prospects for obtaining unsubsidized employment by teaching the individual a skill, inculcating a positive work attitude, or building a work history. In other words, the individual is supposed to take away something new from having participated in such activities. (We discuss the adequacy of CETA employability development plans in our 1982 report Labor Should Make Sure CETA Programs Have Effective Employability Development Systems; see U.S. GAO, 1982.) The fourth service we discuss, public service employment, is assumed to emphasize employability development less, although it does show some concern for this, especially considering the recent emphasis on training in title IID.

Classroom training under CETA refers to the transmission in a classroom or institutional setting of basic academic skills or of technical information required for specific occupations. It has been described as most appropriate for occupations in which 50 percent or more of the required training involves acquiring cognitive skills. Thus, CETA classroom training is intended to combat structural unemployment by assisting disadvantaged individuals in acquiring new and sought-after skills.

Classroom training is, therefore, a mechanism for increasing the match between employers and job seekers. Prime sponsors are required to provide assurances that classroom training programs are designed for occupations in which skill shortages exist. Because classroom training transmits information for enhancing occupational or educational skills, it may be expected to demonstrate effectiveness as measured by economic evaluation criteria like earnings gains. This is more true for programs with occupational skills content than for those with basic education content.

On-the-job training refers to the transmission of occupational skills within a work setting, usually in the private sector. Trainees acquire skills by performing the actual tasks of a job, the assumption being that a trainee learns best by being in an actual workplace and using the employer's procedures and tools. There is no clear consensus on the immediate objectives of on-the-job training, however.

Some see the training as secondary, defining the success of the service in terms of the hiring and retention of trainees. In this case, the emphasis is on the trainees' entry into the labor market in a manner that will permit upward movement. Others see the employers' retention of trainees as secondary, defining the success of the service in terms of the acquisition of skills and focusing on the benefits to human capital. In either case, the exposure of participants to normal job settings, their acquisition of skills while on the job, their potential for being retained on the job at the end of the training period, and the success of on-the-job training efforts for unskilled women in the 1940's, all increase the expectation that CETA on-the-job training will prove to be one of the most effective services across a variety of measures.

Work experience in CETA consists of a short-term or part-time subsidized work assignment with any employer other than a private for-profit employer. It has been described as most appropriate for people who either have never worked or have recently not been working for an extended period of time. Employability is assumed to increase as basic occupational skills are acquired, work motivation improves, and job retention skills are acquired.

Work experience may be used to increase the labor force attachment among people who have difficulty establishing employment in the first place--like ex-offenders, youth, the handicapped, and the aged. It is also used sometimes by prime sponsors as a "holding mechanism" to maintain people while other opportunities are created for them. Because work experience is intended to be used for the most disadvantaged of CETA enrollees, and because it sometimes serves as a holding mechanism, lower expectations are held for its effectiveness on economic measures relative to other types of service.

Public service employment activity in CETA refers to the creation of subsidized, public sector employment opportunities--jobs that can be viewed in terms of countercyclical or counter-structural objectives or both. When viewed as a device for combating structural unemployment, job creation stresses the development of skills conducive to the employees' unsubsidized employment, and a temporary job can be seen as a springboard to more permanent employment (as we discussed in our 1979 report on PSE transition problems, Moving Participants from Public Service Employment Programs into Unsubsidized Jobs Needs More Attention; see U.S. GAO, 1979).

When PSE is viewed as a device for combating cyclical unemployment stemming from a recession, the employability development potential of the activity takes a back seat to the need to maintain people during temporary setbacks. Where local economic conditions are consistently poor or where there are large numbers of chronically unemployed or hard-to-employ individuals, PSE may be seen as an income maintenance device or as a way to put people to work doing something useful, and the objective of moving people into unsubsidized employment may be ignored. Finally, local governments faced with shrinking tax bases and requests for continued or expanded services may use PSE funds in the same way they use Federal revenue sharing--to ease the local financial burden of maintaining current service levels or expanding them.

Using earnings gains as an evaluation criterion for public service employment services is appropriate for title IID but largely to the extent that IID involves acquisition of new skills along with a subsidized work opportunity. Using this criterion for title VI is questionable. Indeed, since title VI was originally designed to combat cyclical unemployment by providing temporary subsidized employment for people displaced by recession, PSE may reasonably be expected merely to permit people to maintain their earlier earnings levels. One could even argue that the maintenance of earlier earnings levels is too stiff a criterion for evaluating title VI PSE. The confusion in expectations for public service employment is summarized in the following statement:

> Questions that need to be addressed include: Can public service employment be a program for all seasons? Can it simultaneously be effective as a countercyclical device, as a vehicle for training the structurally unemployed, as a tool for income maintenance, and as a means of assisting financially hard-pressed State and local governments? (Mirengoff, 1980, p. 14)

As we review data on these four types of service in later chapters, it should be remembered that the services a CETA participant receives do not necessarily conform to our descriptions, which have emphasized the differences between service types rather than their similarities. In actuality, day-to-day activities of two enrollees in two different service types may resemble one another more closely than the activities of two enrollees in a single service. Because prime sponsors may structure program components flexibly and offer combinations of employment, training, and ancillary services, any one individual may actually receive several kinds of service simultaneously even while being recorded in only one reporting category. This variation and overlap among service types means that comparisons of service types should be interpreted cautiously.

In the rest of this chapter, we concentrate on various approaches to assessing the effectiveness of adult-oriented CETA services largely from the perspective of the program participants.

Thus, we discuss some of the methodological issues relevant to interpreting the information that we present in later chapters. The major evaluation issues pertinent to this review of CETA adult services are (1) the extent to which short-term outcome measures are predictive of long-term changes in earnings and employment, (2) the extent to which postprogram benefits realized by participants can be attributed to program participation, and (3) the extent to which conclusions can be drawn about the relative effectiveness of different types of CETA services.

MEASURES OF SHORT-TERM OUTCOME AND LONG-TERM PROGRAM IMPACTS--ARE THEY RELATED?

The ability to identify short-term outcome measures that can predict long-term program impacts is crucial to our ability to monitor CETA program performance in a timely way. Most short-term measures used in employment and training program evaluations have been economic measures, excluding noneconomic measures such as job satisfaction and attitudes toward work. Some have been based on participants' status at the time of their termination from the program--defined variously as rates of positive termination, unsubsidized employment, and private sector placement. Acceptable reasons for positive termination are entering employment, including the military, attending an academic or a vocational school or another employment and training program full time, and completing a program that does not involve job placement as an objective. Other economic measures that are used frequently refer to experiences during the first 30 days after termination--accounting for such things as number of days in employment, hours worked per week, and earnings per week. Still others refer to changes in an individual's status, comparing circumstances before and after program participation--that is, changes in wage rates, weeks worked, or employment status--and sometimes use data from short-term followup efforts. Approaches like these to monitoring employment and training services are attractive because they cost little and appeal to common sense, but they are severely limited in the quality of the information they provide.

It is important to consider the information obtained with placement rate data, for example. Placement rates are especially important because many prime sponsors use them to assess their program and because DOL mandates that placement rate data be collected and reported annually as part of its prime sponsor monitoring. Placement rates are therefore commonly used as short-term outcome measures and are available nationally for CETA titles. For this reason, we have treated the placement rate variable in some depth.

Although it might seem logical to assume that high placement rates for a particular program or service indicate program effectiveness, when we consider the meaning of placement rates more closely, they become ambiguous. Knowing what percentage of

people have been placed in employment conveys no information about the quality of those placements. What proportion of people have been placed in unstable low wage jobs? What proportion of the jobs is related to the skills training the people received in the program? To what extent are prime sponsors serving the less disadvantaged (sometimes called "creaming") so that a high placement rate reflects the characteristics of the participants rather than the effectiveness of the service? 1/ To what extent are high placement rates a function of good local economic conditions?

Parallel questions can be raised regarding low placement rates. They may be a function of prime sponsors complying with DOL instructions to serve the most disadvantaged among CETA applicants or of efforts to place people only in jobs of reasonable quality--jobs that may help them move out of the poverty cycle--or of poor economic circumstances. Further confounding the use of this measure is that some prime sponsors place CETA terminees in a holding category for 30 days, even when they have been placed in a job; an individual who abandons the job during the 30-day period remains counted as an enrollee and the participation interruption is not noted. In this circumstance, reported placements refer only to people who have remained on the job for 30 days. This is a very different definition of placement from that used for people listed as placed (and therefore terminated) on the first day they move into employment. Finally, low or high placement rates may indeed reflect program effectiveness--or the effectiveness of the job development component of CETA--but they are subject to multiple and competing explanations, some of which are consistent with program effectiveness while others are not.

Surveying the literature reveals four attempts to validate short-term performance indicators for employment and training programs, summarized in exhibit 3. The earliest, by Borus in 1978, explored the relation of 19 different short-term outcome variables (including employed 30 days after leaving the program, average weekly hours worked 30 days after leaving, and change in wage rate given rates before and after program participation) to five long-term measures of effect (1974 annual earnings, number of weeks worked, amount of public assistance received, amount of Unemployment Insurance payments received, and educational attainment). Borus used data on 242 participants in pre-CETA programs around Lansing, Michigan, and calculated the long-term net effects of participation against a comparison group of applicants who participated briefly or not at all; he found little or no relation between the short-term outcome variables and long-term net effects of the program. He concluded that

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1/In a recent review of the Work Incentive Program, for example, researchers found that the State performance indicators of "number of job entries per staff" and "job retention rate" were associated with the characteristics of registrants. Characteristics with the strongest relationships were educational level and race. See Mitchell, Chadwin, and Nightingale, 1980, p. 313.

Exhibit 3

Summary of Studies Relating Placement to Earnings Gains
(Keyed to List of References in Appendix II)

STUDY	DEFINITION OF PLACEMENT	EMPLOYMENT AND TRAINING PROGRAM	COMPARISON GROUP	RELATION TO EARNINGS GAINS
Borus, 1978	Employed 30 days after leaving the program	Pre-CETA programs in area of Lansing, Michigan	Attended briefly or not at all	Poor
Gay and Borus, 1980	Worked at least 1 week in the 3 months after leaving the program	Four pre-CETA programs in 10 major urban areas	Eligible nonapplicants matched for age, race, city, and neighborhood	Poor
Finifter, 1980	Employed at program termination	January-June 1975 CETA participants: Continuous Longitudinal Manpower Survey	None; multiple regression used to produce earnings estimates	Strong positive
Westat, 1981a	Employed at program termination	FY 1976 CETA participants: Continuous Longitudinal Manpower Survey	Matched groups from Current Population Survey	Strong positive

> On the negative side, the 19 post-program proxy variables studied proved to be questionable or poor indicators of the long-run effects of manpower programs. Apparently the participants' situations 30 and 90 days after leaving a program are not reflective of long-run program impact. Possibly that is not enough of a time lapse after the programs for the long-run effects to take hold. (Borus, 1978, p. 13)

In view of DOL's use of placement rates to monitor prime sponsor performance, Borus judged it especially serious that his analysis showed no statistically significant relationship between the variable of having a job 30 days after the program and four of the long-term measures of effect and only a weak relationship to earnings. His results, however, must be viewed with an eye to the adequacy of the calculations of the long-term net effects and the study's limited geographical scope. The comparison group used makes it likely that calculations of net effects were based on data from nonequivalent groups. Nonequivalence of groups is a problem in any nonexperimental evaluation, but in this study it was especially problematic. People who do not participate or participate only briefly in CETA services may differ from CETA participants in many ways, some of them (attitudinal, motivational, immediacy of need for employment) unmeasured. Regression techniques can correct for differences between groups only to the extent that measures of the differences exist and are relatively free of error.

In 1980, a second attempt by Gay and Borus to validate short-term performance indicators rectified many of the problems of Borus' earlier study. The participant sample consisted of randomly selected people who had entered four different employment

and training programs in 10 major urban areas between December 1968 and June 1970. The comparison group consisted of eligible nonapplicants matched for age, race, city, and, when possible, neighborhood. Net effects for employment and training program participation were calculated on the basis of 1973 Social Security earnings records.

Defining "placement" as "having worked at least one week in the three-month period following program termination" and constructing seven additional outcome measures from interview data on immediate and one-year postprogram experiences, Gay and Borus regressed the long-term net earnings effects of participation on the eight performance indicators. 1/ Again, the findings were discouraging, particularly with respect to the predictive power of the placement variable, which was one of the poorest performance indicators. It was not significantly related to long-term net earnings gains for any of the program or client groups.

None of the eight performance indicators distinguished themselves as good proxy variables for long-term earnings gains, but changes in weeks not in the labor force per quarter, changes in weeks employed per quarter, and changes in wage rates for the longest reported job correlated much more consistently with earnings gains than did placement status. Gay and Borus recommended that "Placement-rate indicators should be discarded as performance indicators if earnings-gains for participants is the dominant goal of employment and training programs." (Gay and Borus, 1980, p. 43) It should be kept in mind when considering their study that their definition of placement was different from that currently used by prime sponsors--that is, placed in employment upon termination from CETA.

Another study in 1980, by Finifter, used data from the Continuous Longitudinal Manpower Survey's sample of January-June 1975 CETA enrollees to investigate the usefulness of the placement variable as a predictor of postprogram earnings paths. There was no comparison group in this research. Instead, Finifter used multiple regression estimation methods to produce earnings estimates controlled for various factors (socioeconomic, preprogram labor force experience, inprogram experiences, and time-related variables). A strong, positive, and persistent relation was found between the placement variable and earnings paths (upward of $2,000 or higher for most subgroups of service type by gender). Finifter cautioned, however, that these differences may be the result of multiple factors, that the results are based only on participants, and that the relation is clearly complex.

1/The seven other performance indicators were change in (1) number of weeks not in the labor force, (2) number of weeks employed, (3) wage rate on longest job, (4) average number of hours worked per week, (5) quarterly earnings, (6) amount of unemployment insurance received, and (7) amount of public assistance received.

In the fourth such study, in 1981, Westat, Inc., used the Continuous Longitudinal Manpower Survey sample of fiscal year 1976 participants in CETA adult services, drawing match groups from the Current Population Survey to explore differences in program effects on 1977 earnings for terminees placed and not placed (or of unknown status). Overall, Westat estimated that the people reported as placed at the time of exit from the program had net earnings gains from CETA approximately $1,500 greater than those of the people not placed or whose status was not known. According to this analysis, the superiority of placed terminees held for the four service types we discuss--classroom training, on-the-job training, work experience, and public service employment--as well as for multiple services.

Interpreting the Westat findings requires looking for pre-CETA differences in the characteristics of the groups of CETA terminees placed or not placed (or status unknown), especially preexisting differences that might be associated with employability. In an effort to explore the extent of selection bias associated with the placement variable, Westat performed a discriminant analysis to classify participants as placed or not placed on the basis of their other measured characteristics. Westat concluded that "To the extent that discrimination was observed, it could have happened 21 times out of 100 due to random factors." (Westat, 1981a, p. 3-40) If the goal of this analysis had been prediction, this would not be a satisfactory outcome. Since the goal was to explore the existence of selection bias, using less stringent statistical criteria was appropriate. Because some level of discrimination was possible and because differences between people placed and not placed (or of unknown status) existed on such measures as educational level, preprogram earnings, age, and head of family, it is unclear how much of the effect Westat attributed to placement status is pure and how much is a product of other factors.

It is not possible to explain with any certainty the conflicting findings among these four studies on the association between short-term indicators of program performance and long-term estimates of program effectiveness. In the case of positive findings, Geraci and King have hypothesized that the placement variable reflects participant characteristics as much as it reflects program participation influences. (Geraci and King, 1980) Another hypothesis is that placement is a good predictor of long-term positive outcomes when programs have imparted new skills to their enrollees. In the absence of a relationship, or in the case of negative findings, it may be that sustained job search activity after leaving CETA results in better employment opportunities for terminees than taking the first available job after leaving the program. Variation in the quality of jobs within the placement category may also weaken the relation between the placement variable and long-term measures that are more reflective of job quality, such as earnings or employment stability.

Other analysis approaches may find a stronger relation between short-term outcome measures and long-term net effects. It is our opinion that relying in the meanwhile solely on placement rates to monitor program performance is inadvisable. The dangers are illustrated by one study finding that 41 percent of 1976 CETA terminees had an employment status three months after leaving the program different from the status they had at the time of termination. (Westat, 1979a, p. 5-2) Additionally, focusing heavily on placement rates may distort future program operations, affecting them in ways that are not consistent with program objectives. Although placement data may acquire added value when they are used in combination with other types of followup information, we are reluctant to use placement rates in isolation as an indicator of program performance. Therefore, we present only a brief summary of national program termination data for CETA.

ASSESSING ABSOLUTE EFFECTIVENESS--WOULD BENEFITS BE REALIZED WITHOUT THE PROGRAM?

Evaluating the effectiveness of employment and training programs or program components requires a comparison base against which to contrast the experiences of the program participants. The validity of studies that consider only the postprogram experiences (whether short-term or long-term) of CETA terminees, without regard to participants' preprogram experiences or without a comparison group, is threatened in many ways, and their results can be quite misleading. Therefore, we have omitted them from our report.

When the evaluation question is one about absolute effectiveness, the comparison base must permit estimates of what program participants' experiences would have been in the program's absence. A number of strategies have been used for providing such estimates, including true experiments, preprogram and postprogram comparisons, and naturally occurring or constructed comparison groups. True experiments, which randomly assign applicants to conditions of receipt of services, provide the strongest tests of program effectiveness, but no true experiments have been used in evaluating the CETA titles discussed in this report.

Comparing the status of people before participating in a program with their status after a program is, however, a fairly common strategy in CETA evaluation studies. In such studies, the base is the preprogram experience of the enrollees. Some of the studies are executed rather simply, presenting descriptive summary data on each variable for both of the time periods and then calculating the gross change. Others apply more sophisticated techniques, usually multiple regression, attempting to control for nonprogram influences--such as participant sociodemographic characteristics, labor market experience, and economic conditions--on program outcomes.

Information on gross changes in participants' experiences before and after the program is interesting for descriptive pur-

poses and perhaps also for managerial purposes. Finding, for example, gross losses in earnings in most program components and for most subgroups of terminees would likely serve as a management warning. Such data should not necessarily be interpreted as reflecting program ineffectiveness, however. Extraneous events such as those that alter the local labor market conditions may occur simultaneously with program participation, and their influence may be indistinguishable from the effects of the program. It is also clear that postprogram outcomes that are good cannot be attributed to the program. Only if postprogram outcomes are extremely poor can we draw conclusions about program performance, and even then our conclusion must be limited to a statement that whatever the size of any gains achieved from program participation, they were not large enough to satisfy the program's objectives.

Direct comparisons of CETA enrollee status before and after participation can be distorted by taking data from the period immediately before CETA enrollment as the comparison base. CETA's eligibility requirements specify economic disadvantage as a condition for receipt of services. This means that many people who participate in CETA are at low points in employment and earnings immediately before they enter the program (this is commonly called "preprogram dip"). If this period is used as the time frame for the collection of baseline data, changes in earnings, for example, may be inflated. 1/

Some investigators have used multivariate analysis techniques in evaluating employment and training programs in order to control for preprogram factors (socioeconomic and labor force experience variables) that are likely to be associated with the postprogram outcomes or pre-post changes. One has commented that

> Another alternative is to try to predict the expected before-to-after change through the use of multiple regression analysis. This procedure uses such independent variables as age to cover maturation, and growth in the economy to try to account for the problem of intervening events. The assumption is then made that the predicted earnings of the individual resulting from the program are net of these influences. This method, however, will not handle the regression toward the mean problem. Furthermore, it is very difficult to arrive at a regression model which accurately specifies the relationships of such variables as earnings and employment with explanatory variables. Studies using cross-

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1/An example of this phenomenon can be seen in Westat's Follow-Up Report No. 3 (1981c). Gross changes in average earnings for 1975 CETA participants were found to vary by as much as $1,600, depending on whether preprogram data were drawn from the quarter immediately preceding enrollment or from four quarters preceding.

sectional data which explain 20-30 percent of the variation in earnings or employment are considered to be quite good. This leaves at least 70 percent of the variation unexplained. (Borus, 1979, p. 39; see also Finifter, 1980) 1/

Evaluations with comparison groups use a different base for assessing the effectiveness of employment and training programs. They contrast the postprogram experiences of participants (or changes in their experiences over a time period that includes program participation) with the experiences of a similar but nonparticipating group of people. The major problem with this method is the difficulty of identifying a group of people sufficiently similar to the participants to permit reasonable comparisons of postprogram employment and earnings experiences. Some investigators have used people who have been accepted into programs but who are not attending them or attended them only briefly to form a comparison group. This approach has the advantage of insuring that the comparison group is constituted of people who are eligible for the program and that, at least at the time of their application, were motivated to apply for services. This strategy is problematic, however, in that the comparison group may differ from the participants in a variety of ways, some of which may be characteristics associated with the likelihood of later employment and self-sufficiency and some of which may be unmeasured. We discussed this earlier in connection with the Borus study; another analyst has said that "When one underadjusts for existing pretraining group differences, the residual difference will be mistakenly interpreted as a treatment effect." (Director, 1979, p. 192) We outline some of the selection bias factors relevant to this issue later in this chapter.

The major ongoing Department of Labor evaluation of CETA constructs comparison groups for samples of CETA participants and contrasts their experiences over years subsequent to CETA enrollment. People surveyed in the Current Population Survey were selected through an elaborate matching and disqualification process to constitute a comparison group for estimating the net effects of CETA participation discussed in a later chapter of our report. (Westat, 1981a) As with any constructed comparison group, the accuracy and reliability of the estimates obtained from the analysis reflect the degree of equivalence obtained for the two

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1/"Regression to the mean" is a phenomenon of the statistical analysis of the behavior of people over time. People who occupy the extremes of a distribution at one measuring time tend to be found closer to its middle (the mean) at subsequent measuring times. Since people who enter employment and training programs are typically at the bottom of the labor force, some change for the better after their participation is to be expected simply because of this measurement artifact, but such change is unfortunately sometimes mistaken for change resulting from program participation.

groups and the adequacy of the statistical analyses used to adjust for remaining differences. As with the other strategies, this one too contains the problem that many factors related to employment and earnings experiences may be unmeasured or measured with error:

> The more pretraining differences one is able to adjust away the smaller will be the remaining underadjustment bias. The bias will not disappear, however, because some relevant independent variables may still be omitted and because the included variables contain error components. It should be noted that even variables such as race, sex, and age contain error components when used in this context. Such variables are included in the model because they are important though imperfect proxies for posttraining earnings potential. Because they are only proxies they will sometimes be overestimates and sometimes underestimates of an individual's true earnings potential. (Director, 1979, p. 198)

If they are executed well, strategies such as this can produce reasonable approximations to the "true" net effects of employment and training programs. If poorly executed, they result in biases of unknown direction and size.

ASSESSING RELATIVE EFFECTIVENESS-- WHICH SERVICES WORK BEST?

In their simplest form, relative effectiveness evaluation studies ask the question "Which services work best?" They compare immediate outcomes, long-term outcomes, changes before and after participation, and net earnings impacts for participants in two or more employment and training programs or service components. The relative effectiveness question may be further refined so that it asks "Which services work best for which subgroups of people?" Answers are especially valuable for CETA in the guidance they can give for selecting the best mix of services locally and for specifying allowable activities nationally.

Obtaining meaningful answers to relative effectiveness questions is not necessarily without problems, however. Before anything else, we need to be able to classify individuals accurately by type (nature and amount) of services they received. As we mentioned earlier, the distinctions between adult CETA service types are not always clear, and when contrasts are made between participant outcomes for different service types, selection biases may result in nonequivalences between groups. Participants in a work experience component, for example, may be placed there because intake staff judge them to have low employment potential, while participants in on-the-job training may be so assigned precisely because they are thought to be ready for jobs. Direct comparisons of outcomes for these service types are likely to mislead us if the employment potential of the enrollees varied across service types before CETA.

Statistical attempts to adjust program outcome estimates for nonequivalences are hampered, as we noted that absolute effectiveness evaluations are, by the difficulty in specifying a model with explanatory variables that will account for substantial amounts of variance in the outcome measures. This difficulty is increased further when such things as "length of the waiting lists" determine the type of service received. Measures of such factors are not likely to be available.

Besides not knowing all we might about the selection process and the problems in modeling it, we are hindered in answering relative effectiveness questions by the fact that different service types may train people for different kinds of occupations. Evaluations in the employment and training area have not typically included this factor in their analyses. Instead, they have made direct contrasts between classroom training, on-the-job training, work experience, and public service employment without attempting to ascertain how much of the differences in earnings stem from the area of occupational training (for example, welding compared to typing) rather than from the way the training service is delivered. Considering service types globally, viewing the distribution of occupational training areas within each service type as an inherent part of the service, has frequently been a way of sidestepping this problem.

Even when there are fairly reliable national findings that one service type is more effective than another, this information still may not serve as a reasonable guide for determining the service mix most feasible and appropriate for a specific locality. A locality whose employers are reluctant to make on-the-job training commitments, for example, may not readily be able to expand this training activity, even if there is evidence of its superiority.

Where no comparison groups are used or where models specifying labor force experience and earnings are inadequate for drawing conclusions about the absolute effectiveness of the service types, the information gap is awkward. Statements about the relative effectiveness of two service types may be possible, but it will not be known whether either service is better than no service. A recommendation to continue the better of the two might merely be a recommendation to continue with the better of two ineffective service types.

SELECTION BIASES IN EVALUATION STUDIES-- WHAT ARE THEY FOR CETA?

We have referred to several kinds of selection bias throughout this chapter. Sources of selection bias may be associated with individual decisions to participate in CETA, with decisions of prime sponsors to provide services, and with employers' decisions to hire and retain individuals. Exhibit 4 lists some commonly discussed sources of bias.

Exhibit 4

Sources of Selection Bias in Evaluations of Employment and Training Programs

PRIME SPONSOR

Availability of services
Whether or not various types are available locally

Targeting of services
To the most employable
To the most disadvantaged

Assessment of participants
Matching applicants' assessed needs to CETA services

EMPLOYER

Need for employees
Additional employees
Employees with specific skills

Attitude
Toward CETA participants
Toward people with various sociodemographic characteristics

PARTICIPANT

Motivation
To enter or not enter the labor market
To apply or not apply for CETA services
To accept or reject services
Immediacy and degree of need for work

Human capital
Education, skill, and general ability
Work experience

Sociodemographic and economic characteristics
Age, race, and gender
Urban or rural residence
Employment status and earnings history

TWO-PARTY DECISIONS

Prime sponsor: to offer or not offer services
Participant: to accept or reject sponsor's offer

Employer: to offer or not offer employment
Participant: to accept or reject an employment offer

Employer and employee: to continue or terminate the relationship

Models used in evaluations of employment and training programs often cannot correct for more than a few of these factors. They try to include proxy variables to substitute for what is not directly measurable. For example, status as the head of household in a family of two or more members might be used to substitute for a "need to earn" motivation. To the extent that these factors distinguish CETA participants from nonparticipants or distinguish among participants receiving different types of CETA services, and to the extent that these factors cannot be controlled for statistically, biases will remain. Exhibit 4 should be kept in mind as the reader interprets the estimates of program effects we review in this report.

SUMMARY

In considering various bases for evaluating CETA adult services, we have presented information on proposed benefits from employment and training programs, assessed the appropriateness of these benefits as evaluation criteria, reviewed studies on the validity of placement rates as a short-term performance indicator, and outlined the strengths and weaknesses of several evaluation approaches. From this, we call attention to the following issues:

--A large number of potential benefits have been proposed for employment and training programs. Therefore, CETA could be evaluated against a range of economic and non-economic criteria. However, earnings gains, the legislative objective of CETA, are a reasonable proxy for many of these proposed criteria and have been used the most frequently.

--The four types of adult services we covered in this review have somewhat different objectives and are designed to fulfill different needs of the unemployed population. As a consequence, it is likely that some services have enrollees who are less disadvantaged than others. On-the-job training, for example, may be expected to have enrollees who are less disadvantaged than work experience, as a function of on-the-job training's focus on people who are ready for jobs and capable of acquiring skills in an actual work setting. If, as we believe, these differences in the characteristics of enrollees exist, and if other differences in within-program opportunities for contact with potential employers and occupational areas of training and employment also exist, we can expect larger earnings gains for classroom training and on-the-job training than for work experience. Additionally, although earnings gains seems an appropriate criterion for assessing the effectiveness of employability development services such as on-the-job training, classroom training, work experience, and counterstructural PSE, it is less appropriate for evaluating the countercyclical PSE program of title VI.

--The conflicting results of validation studies on placement rates as predictors of long-term program effectiveness, and other ambiguities associated with their use even in the short term, persuade us against using placement rates as the major or solitary program performance indicator.

--Assessing the absolute and relative effectiveness of adult services requires a comparison base. In discussing study designs relevant to information presented in this report, we note that pre-post

program data can be used only for descriptive purposes; it is not legitimate to use such data for assessing program impacts. Studies using comparison groups are generally more appropriate for assessing program impacts, but they also can have limitations. Common problems include inappropriate comparison groups and data or analysis strategies inadequate for adjusting for preexisting differences between program participants and comparison group members. As a consequence, employment and training evaluation studies serve mainly as background information for informed decisionmaking rather than providing firm answers.

CHAPTER 4

CETA PARTICIPANTS, THE SERVICES AND BENEFITS THEY RECEIVED, AND THEIR STATUS AT TERMINATION

In this chapter, we describe the implementation of the CETA Comprehensive Services and PSE titles with respect to the characteristics of the enrollees and the types of services and benefits they received. We also present data on the employment status of the participants at the time they left CETA. In combination with the information on the nature of the enrollees' occupational exposure, presented in the first part of the chapter, these data help us understand the implementation of CETA adult services and interpret the information on outcomes and effectiveness that we present in chapters 5 and 6.

THE CHARACTERISTICS OF THE PARTICIPANTS

Prime sponsors are required to report data on participant characteristics to DOL for all CETA titles under their authority. Table 3 arrays participant characteristics data for the Comprehensive Services titles (IIB-C) and the PSE titles (IID and VI) for fiscal years 1975, 1977, and 1979.

As the table shows, the great majority of participants in these three titles were unemployed at the time they enrolled in CETA. Sixty-two percent of entrants were unemployed upon enrollment in the Comprehensive Services title in fiscal year 1975; as many as 91 percent were unemployed upon enrollment in PSE title VI in fiscal year 1979. The percentage of AFDC recipients was highest for the Comprehensive Services title in all three years, ranging from 16 to 18 percent, while AFDC recipients in the PSE titles fluctuated between 6 and 13 percent. The opposite pattern obtained for Unemployment Insurance--here the percentage of recipients ranged from 11 to 16 for the Public Service Employment titles but never exceeded 7 for the Comprehensive Services title.

CETA's definition of "economically disadvantaged" shifted in the period 1975-79. In fiscal years 1975 and 1977, it was based on the poverty level as defined by the Office of Management and Budget; in fiscal 1979, it was based on whichever was the higher, the OMB poverty level or 70 percent of the lower living standard income level as defined by the Bureau of Labor Statistics. The use of a higher income standard after 1978 renders comparisons across years problematic.

To assess accurately the changes in the proportion of economically disadvantaged who were served requires a standard

Table 3

Characteristics of Participants in Comprehensive Services and Public Service Employment Titles for Selected Fiscal Years (in Percent)

	Comprehensive Services Title IIB-C			Public Service Employment Title IID			Public Service Employment Title VI		
	1975	1977	1979	1975	1977	1979	1975	1977	1979
Male	54	52	47	66	60	52	70	64	57
Female	46	48	53	34	40	48	30	36	43
Age in years									
21 and younger	62	52	48	24	20	23	21	20	22
22-44	32	41	45	63	64	63	65	65	63
45 and older	6	8	7	13	16	15	14	15	15
Years of school									
8 or fewer	13	10	--	10	7	--	8	8	--
9-11	48	40	19	18	15	2	18	19	2
12+	39	50	52	72	78	72	74	73	71
High school dropout	--	--	29	--	--	26	--	--	27
Aid to Families with Dependent Children	16	16	18	7	6	13	6	10	12
Public assistance	11	10	8	9	8	8	8	8	7
Economically disadvantaged a/	77	78	90/71 b/	48	49	86/68 b/	44	67	86/63 b/
Race/ethnic group									
White	55	57	51	65	71	55	71	66	54
Black	39	35	33	22	23	29	23	26	30
Hispanic	--	--	13	--	--	13	--	--	12
Other	6	8	3	13	6	3	6	8	3
Spanish speaking (est.)	13	14	--	16	14	--	13	12	--
Limited English	4	5	5	8	3	5	5	3	4
Migrant or seasonal farm family member	2	2	1	1	2	1	1	1	1
Veteran	--	--	9	--	--	16	--	--	17
Recently separated	INA	4	-	INA	5	--	--	7	--
Special c/	5	3	1	11	7	3	13	7	3
Vietnam d/		--	4		10	6		--	6
Other	4	4	1	13	--	1	15	12	1
Handicapped	4	4	7	3	3	5	3	4	5
Offender	6	7	8	3	3	5	3	4	5
Labor force status									
Unemployed	62	74	77	84	74	82	88	81	91
Underemployed	5	5	4	8	5	2	6	3	2
Other e/	33	21	19	8	21	16	6	16	7
Receiving Unemployment Insurance	4	7	5	12	15	11	15	16	12

Source: Adapted from National Commission for Employment Policy, Sixth Annual Report to the President and the Congress (Washington, D.C., December 1980), pp. 112-13.

a/Before 1978, "economically disadvantaged" was defined by the applicant's being a member of a family whose annual income in relation to family size and location did not exceed the poverty level as defined by OMB. Today the determination is based on the poverty level or 70 percent of the lower living standard income level of the Bureau of Labor Statistics, whichever is higher.

b/The second number is the proportion of people who met only the OMB poverty criteria.

c/Served in Indochinese or Korean theater of operations between August 1964 and May 1975.

d/Served between August 5, 1964, and May 7, 1975, and is younger than 35 years.

e/Employed or not in the labor force.

criterion--the OMB poverty level--shown as the righthand figures in the 1979 columns in table 3. Comparing these 1979 figures with the figures for the economically disadvantaged in 1975 and 1977, we can see increases in the proportion of economically disadvantaged people who were served in both of the PSE titles from fiscal 1975 to fiscal 1979. These increases reflect the fact that CETA's eligibility requirements for PSE were changed to include an income test. The eligibility requirements of the Comprehensive Services title were also tightened during this period, but little change is evident in the proportion of economically disadvantaged people who were served. However, since 77 percent of the Comprehensive Services enrollees were economically disadvantaged in 1975, there was less room for improving the targeting for this title than for PSE.

While it is not possible to determine from the prime sponsor reports the percentage of enrollees who were high school dropouts in CETA's early years, the data for fiscal 1979 indicate that some 26 to 29 percent of enrollees were dropouts and could be categorized as educationally disadvantaged.

The proportion of females was higher for the Comprehensive Services title than for the PSE titles. In fiscal 1975, the ratio of males to females for PSE title VI was 70:30. By fiscal 1979, this had shifted to 57:43. A comparable shift--from 66:34 to 52:48--occurred for title IID. The Comprehensive Services title enrolled slightly more women than men in fiscal 1979. It also had a percentage of youth enrollments twice that of either PSE title for all three years.

These differences in enrollee profiles for the Comprehensive Services and PSE titles on such variables as economic disadvantage, gender, and age lead us to expect employment and earnings outcomes to be less positive for the Comprehensive Services title than for the PSE titles. This is especially true for enrollees in Comprehensive Services in-school youth programs, which do not have employment as an immediate objective. In sum, these global data lead us to make a general depiction of participants in these CETA titles--especially participants in the Comprehensive Services title--as relatively disadvantaged with respect to employability.

This picture is reinforced by data from the Continuous Longitudinal Manpower Survey (CLMS) on the preprogram labor force experiences of enrollees in CETA adult services. Here the data are aggregated across adult service types rather than broken down by title. As we see in table 4, approximately one-third of the enrollees in fiscal years 1976, 1977, and 1978 were unemployed 50 percent or more of the year preceding their entrance into CETA. Another one-fourth to one-third were out of the labor force at least half of that year. Depending on the year, only some 9 to 14 percent were employed for 90 percent or more of the preprogram year.

Table 4

Pre-enrollment Labor Force Experiences of People Enrolled in CETA Adult Services Titles IIB-C, IID, and VI in Fiscal Years 1976-78 (in Percent) a/

	1976	1977	1978
Predominantly employed b/	14	10	9
Predominantly unemployed c/	32	38	32
Not in labor force d/	27	27	31
Residual e/	27	24	28

Source: Westat, Inc., Continuous Longitudinal Manpower Survey, Report No. 8 (Washington, D.C.: U.S. Department of Labor, March 1979), table 23 and p. 5-12, and Continuous Longitudinal Manpower Survey, Report No. 10 (Washington, D.C.: U.S. Department of Labor, October 1980), table 3.

a/Fiscal year 1976 begins July 1; fiscal years 1977 and 1978 begin October 1.
b/Employed during 90 percent or more of the year before enrollment in CETA.
c/Out of work and looking for work for 50 percent or more of the year.
d/Out of the labor force during 50 percent or more of the year.
e/Experience fits none of the other categories.

The percentage of high school dropouts in the fiscal 1977 and 1978 CLMS samples varied between 28 and 29, while the median family income for enrollees in adult services was less than $6,000 for all three fiscal years 1976, 1977, and 1980. (Westat, 1979b, 1980) To place this latter figure in perspective, we should consider that the median family size of CETA enrollees was 3.5 members in fiscal 1977 and the lower living standard budget for a family of four, as established by BLS, was $10,041 in the fall of 1976 ($10,481 the next year). In the aggregate, CETA participants appear to have been disadvantaged economically, educationally, and with regard to employment stability.

THE NATURE OF THE SERVICES THEY RECEIVED

Under the Comprehensive Services title, several different types of service can be provided. For the most part, the mix is determined locally by prime sponsors. The PSE titles subsidize public service jobs, by definition. Limited information on the nature of services under these titles is available through DOL's prime sponsor reports and CLMS.

Table 5 on the next page presents information from DOL's prime sponsor reporting system on participants in the four major services in title IIB-C, the Comprehensive Services title. These are classroom training, on-the-job training, work experience, and public service employment. The table shows that classroom training and work experience together represented some 80 to 90 percent of this title's enrollments in the four types of service across fiscal years 1975-80. This high percentage, however, masks some

Table 5

Percentage of Individuals Served Through Comprehensive Services Title IIB-C by Service Type for Fiscal Years 1975-80 a/

	1975	1976	TQ1976	1977	1978	1979	1980
Classroom training	25	28	30	35	40	43	48
On-the-job training	8	11	11	14	18	16	13
Work experience	63	56	55	48	41	40	39
Public service employment	4	5	5	3	2	1	less than 1

Source: U.S. Department of Labor, Employment and Training Administration.

a/Fiscal years 1975 and 1976 begin July 1; fiscal years 1977, 1978, 1979, and 1980 begin October 1. TQ 1976, the transition quarter July 1 to September 30, 1976, is a bridge between 1976 and 1977. Classroom training percentages and totals on which all percentages are based exclude people served by Governor's Vocational Education grants. Percentages are based on individuals served through these four service types only.

important changes that were made in the mix of services provided over time.

First of all, public service employment was phased out as an allowable activity under title IIB-C; the decline of PSE to

Table 6

Distribution of Public Service Jobs by Function, Estimates for Fiscal Years 1976 and 1978 (in Percent) a/

	Titles IID and VI		Title VI
		Sustainment	Projects
	1976	1978	1978
Law enforcement	11	13	3
Education	12	17	12
Public works, transportation	24	26	26
Health, hospitals	7	8	5
Environmental quality	3	4	16
Fire protection	1	2	4
Parks, recreation	8	10	11
Social services	7	10	14
Administration, miscellaneous, unknown	27	10	9

Source: U.S. Department of Labor, Employment and Training Administration.

a/Fiscal year 1976 begins July 1; fiscal year 1978 begins October 1.

less than 1 percent of the fiscal 1980 service mix reflects this. Second, classroom training was given to only 25 percent of the participants in fiscal 1975 but was the predominant service type in 1980, accounting for 48 percent of the service mix. Third, work experience declined from 63 percent of enrollees in 1975 to just below 40 percent in 1980. Finally, on-the-job training showed a slight increase, peaking at 18 percent in 1978 and covering 13 percent of 1980 enrollees.

Overall, the shift in service mix from fiscal 1975 to fiscal 1980 was in the direction of providing services designed to foster the acquisition of job skills rather than job experience. Prime sponsors reduced their investment in work experience activity by more than 20 percent. Nevertheless, the 39 percent of fiscal 1980 enrollees in work experience indicates that this service type remains a major part of prime sponsors' employment and training services. Whether this is a function of an identified need for such services or of a lack of resources for delivering more skill-oriented services is a question we cannot answer at this time. It is, however, a question of some importance, as we will note later, since its answer has implications for the modification of the present employment and training system or the development of new strategies.

In table 6, we see estimates of the distribution of public service jobs by function (guards, teachers' and nurses' aides, and the like) for fiscal 1976 and 1978. The 1978 distribution is divided into two portions--sustainment and projects. The sustainment column refers to continuing positions under titles IID and VI; the projects column refers to positions subject to the requirement we discussed in chapter 2 that PSE jobs be located in projects of no more than 12 months duration. The general area of employment can be deduced from this table but, unfortunately, the type or level of skill necessary to execute jobs cannot.

The largest proportions of sustainment and projects PSE positions were in the public works and transportation category, the largest being 26 percent. Education accounted for from 12 to 17 percent of the jobs. Some shifts are noticeable from 1976 to 1978, and some differences occurred between sustainment and project distributions. While 27 percent of PSE positions were recorded in the "administration, miscellaneous, and unknown" category in fiscal 1976, only about 9 to 10 percent of PSE positions were in this category in fiscal 1978. Projects positions in fiscal 1978 were less likely to be in the law enforcement and education categories than sustainment positions were and more likely to be in the areas of environmental quality and social services.

Data on the distribution of PSE jobs are available only for fiscal years 1975-78. The general pattern for 1975 is similar to that of 1976, and it is the same for the sustainment and the projects distribution for 1977 and 1978. The differences between

Table 7

Within-Program Occupational Areas of Service Types for Fiscal Year 1976 (in Percent)

	Training			Employment		
	Classroom	On-the-job	Multiple a/	Adult work experience	Public service	Total
Professional or technical	7	5	6	0	14	10
Clerical	39	15	37	24	22	25
Crafts	19	21	23	7	10	14
Nontransport operatives	15	28	15	9	3	11
Nonfarm laborers	1	8	2	16	19	12
Service	17	11	15	26	21	19
Other	2	12	2	10	11	9
Est. total terminees reporting an occupation	67,900	53,700	9,600	48,300	132,000	311,500

Source: Westat, Inc., Continuous Longitudinal Manpower Survey, Follow-Up Report No. 2 (Washington, D.C.: U.S. Department of Labor, March 1979), p. 3-22.

a/Often includes an employment activity, but at least two-thirds of the combinations in this category involve classroom training.

the sustainment and projects distributions in the law enforcement and environmental quality categories appear to be consistent with the efforts to reduce substitution and displacement by using PSE workers for short-term special projects rather than for ongoing local government services.

Additional information on the nature of the within-program experiences of participants in adult services under the Comprehensive Services and PSE titles reveals the occupational areas associated with service types for fiscal 1976 participants who had terminated from CETA within 18 months after enrolling. 1/ The data in table 7 are based on postprogram interviews with terminees and refer only to the first type of service participants received after enrolling. (Westat, 1979a, p. 3-21) They complement table 6, however, by providing information on the type of skill involved in the training or the job:

> The occupational distributions of in-program jobs differ very little between the two program activities which involve employment. PSE and AWE [adult work experience] jobs were concentrated about equally in the clerical

1/Comparable data for January to June 1975 terminees are also available (Westat, 1981b); the distributions are very similar to those shown in table 7.

and service categories, and secondarily in nonfarm laboring occupations. . . . The occupational distribution of the first training activity of those in CT, OJT, or in multiple activities is fairly distinctive from the employment distribution, in expected ways. In particular, training in CT and in multiple activities was concentrated in clerical occupations. Approximately equal proportions (between 19 percent and 23 percent) of CT, OJT, and multiple activities terminees were trained as craftspersons. (Westat, 1979a, p. 3-23)

The most frequently reported occupations in each major occupational area included the following: clerical (typists 16 percent, secretaries 17 percent, and teacher aides 8 percent); service (janitors and charpersons 30 percent, nursing aides 12 percent, and guards or watchmen 8 percent); nonfarm laborers (gardeners or groundskeepers 35 percent, construction laborers 26 percent, and garbage collectors 8 percent); crafts (carpenters 9 percent, automobile mechanics and body workers 21 percent, and construction or maintenance workers 10 percent); professional or technical workers (social workers 15 percent, recreation workers 10 percent, and personnel or labor relations workers 6 percent); and operatives (welders 21 percent, machine operators 10 percent). (Westat, 1979a, p. 3-22)

It should be noted that the concentration of operative occupations in the on-the-job training (OJT) service category was high compared to other categories. Since welders and machine operators constituted a large proportion of the operative occupations--21 percent and 10 percent, respectively--and since some 21 percent of the OJT category consisted of craft occupations, OJT services might be expected to have relatively more positive results than other types of CETA services, simply as a function of the higher wages typically paid for these kinds of skills. Overall, the distributions of occupational areas within service types appear to be consistent with the descriptions of service types we provided in chapter 3.

The degree to which these occupational areas remained associated with service types in the later years of CETA is unknown. Comparable data for after fiscal 1976 are not available. The tighter eligibility requirements imposed since fiscal 1976 may have led to changes in the mix of occupational areas within service types. Changes in the occupational mix in the Comprehensive Services title are likely to have been less pronounced, reflecting the shifts in the mix of classroom and on-the-job training and work experience activities that occurred over time. Changes in the occupational mix of PSE jobs may have been partially a function of the imposition of wage restrictions and the requirement to create a portion of PSE jobs in projects of limited duration. One study of 23 prime sponsors that were required to reduce the average wage for new PSE participants predicted the following effects on the types of jobs and services provided by PSE:

In areas where average wages must be lowered, use of PSE for high-skill professional, technical, paraprofessional, and craft jobs will be reduced.

Almost all areas that were required to reduce their average wages planned to restructure PSE jobs. Restructuring will generally involve intermediate-skill paraprofessional and clerical occupations, but even low-skill service worker and laborer jobs will be redesigned in some areas because the prevailing entry wage for these positions exceeds the PSE wage that can be approved. Professional and craft jobs are more likely to be discontinued than restructured.

The PSE activities that will most frequently be cut back are those involving the primary governmental services of law enforcement, fire protection, and education. An increased portion of PSE will support the development and maintenance of parks and recreation facilities and will require a high proportion of workers in unskilled laboring jobs. More PSE positions will be devoted to providing social services, largely through nonprofit organizations. (Mirengoff, 1980, pp. 100-01)

PARTICIPANT PROFILES AMONG SERVICE TYPES

One task of prime sponsors is to match the needs and occupational interests of enrollees with the available training and employment services. This matching process and differences in eligibility criteria among the titles result in different characteristics profiles for participants in the services. In general, CLMS samples of fiscal 1976 adult service enrollees show that classroom training and work experience were given to more disadvantaged people than on-the-job training and public service employment were. PSE recipients were the least disadvantaged of enrollees on a number of dimensions, as table 8 shows. Among PSE participants, there were fewer minority enrollees, more high school graduates, fewer households below the OMB poverty level, fewer households with family incomes less than $6,000, and fewer individuals with incomes less than $1,000. Classroom training was given to the most disadvantaged of CETA enrollees as assessed by both demographic and income criteria for fiscal 1976; 36 percent of classroom training participants were in families receiving at least one form of public benefit, and 37 percent were unemployed for 50 percent or more of the year preceding enrollment in CETA.

Whereas table 8 gives profiles of enrollees in CETA adult services for fiscal 1976, table 9 on page 48 gives the same profiles for fiscal 1978. The least disadvantaged of CETA enrollees had the greatest participation in on-the-job training. Participants in classroom training and work experience appear roughly comparable, the differences varying in direction across several categories.

Table 8

Characteristics of Enrollees in CETA Adult Services for Fiscal Year 1976 (in Percent)

	Training		Employment	
	Classroom	On-the-job	Adult work experience	Public service
Female	50	35	48	34
Age in years				
21 and younger	36	33	10	24
22-29	40	40	48	43
30 and older	24	26	42	34
Minority	55	38	40	31
High school graduate	60	69	64	76
Veteran	16	24	20	27
Below OMB poverty level	66	52	61	44
Family receiving benefits	36	20	26	16
Family income less than $6,000	64	54	64	48
Enrollee income less than $1,000	56	43	48	38
Labor force status a/				
Predominantly employed	11	16	15	17
Predominantly unemployed	37	29	34	27
Not in labor force	31	27	27	24
Residual	22	28	24	32

Source: Westat, Inc., Continuous Longitudinal Manpower Survey, Report No. 8 (Washington, D.C.: U.S. Department of Labor, March 1979), appendix B, tables 14-17.

a/These categories are: employed during 90 percent or more of the 12 months before enrollment in CETA (predominantly employed), out of work and looking for work for 50 percent or more of that year (predominantly unemployed), out of the labor force during 50 percent or more of that year (not in labor force), and experience fits none of these categories (residual).

In fiscal 1978, PSE services were given to more disadvantaged enrollees than in fiscal 1976 with respect to income and labor force status before CETA participation. The revision of PSE eligibility requirements appears to have succeeded in directing CETA PSE services more toward the disadvantaged. The overall shift in the PSE participant profile comes largely from the characteristics of people enrolled in PSE special projects of limited duration. Table 10 on the next page shows data on participant characteristics for fiscal 1978 sustainment and project enrollees. On most of the comparisons, PSE job holders in projects are relatively more disadvantaged than are sustainment job holders.

These differences in participant profiles across service types are not unexpected; they are consistent with our earlier

Table 9

Characteristics of Enrollees in CETA Adult Services for Fiscal Year 1978 (in Percent)

	Training		Employment	
	Classroom	On-the-job	Adult work experience	Public service
Female	60	36	56	38
Age in years				
21 and younger	40	36	--	23
22-29	36	38	49	42
30 and older	25	26	51	34
Minority	50	32	42	39
High school graduate	61	69	70	75
Veteran	11	21	18	24
Below OMB poverty level	74	62	77	73
Family receiving benefits	35	18	36	26
Family income less than $6,000	57	45	62	56
Enrollee income less than $1,000	50	35	54	44
Labor force status a/				
Predominantly employed	10	17	10	8
Predominantly unemployed	31	24	39	40
Not in labor force	30	25	25	22
Residual	29	34	27	31

Source: Westat, Inc., Continuous Longitudinal Manpower Survey, Report No. 10 (Washington, D.C.: U.S. Department of Labor, October 1980), appendix B, tables 6-9.

a/These categories are: employed during 90 percent or more of the 12 months before enrollment in CETA (predominantly employed), out of work and looking for work for 50 percent or more of that year (predominantly unemployed), out of the labor force during 50 percent or more of that year (not in labor force), and experience fits none of these categories (residual).

Table 10

Characteristics of Enrollees in Public Service Employment Sustainment and Project Jobs for Fiscal Year 1978 (in Percent)

	Sustainment	Project
Female	38	38
Age in years		
21 and younger	23	23
22-29	41	44
30 and older	36	34
Minority	36	42
High school graduate	78	72
Veteran	25	23
Below OMB poverty level	68	78
Family receiving benefits	24	28
Family income less than $6,000	49	63
Enrollee income less than $1,000	39	49
Labor force status a/		
Predominantly employed	9	7
Predominantly unemployed	35	44
Not in labor force	22	22
Residual	35	28

Source: Westat, Inc., Continuous Longitudinal Manpower Survey, Report No. 10 (Washington, D.C.: U.S. Department of Labor, October 1980), appendix B, tables 10 and 11.

a/These categories are: employed during 90 percent or more of the 12 months before enrollment in CETA (predominantly employed), out of work and looking for work for 50 percent or more of that year (predominantly unemployed), out of the labor force during 50 percent or more of that year (not in labor force), and experience fits none of these categories (residual).

Table 11

Average Within-Program Hourly Wages
by Service Type a/

	Participant group	
	January-June 1975	FY 1976
On-the-job training	$3.06	$3.21
Work experience	2.67	2.68
Public service employment	3.25	3.24

Source: Westat, Inc., Continuous Longitudinal Manpower Survey, Follow-Up Report No. 2 (Washington, D.C.: U.S. Department of Labor, March 1979), p. 3-17, and Continuous Longitudinal Manpower Survey, Follow-Up Report No. 3 (Washington, D.C.: U.S. Department of Labor, January 1981), p. 4-10.

a/Westat found data on classroom training allowances to be of questionable validity, and wage rate data are therefore not available for the classroom training service.

descriptions of service types. For example, given the definition of on-the-job training as a service type suitable for job-ready trainable individuals, it is not surprising that the profile of enrollees in on-the-job training shows them as less disadvantaged than others or that the classroom training and work experience profiles are at the opposite end of the spectrum.

The variation in participant profiles has implications for the interpretation of other data in this report. Given that profiles of fiscal 1976 on-the-job training and public service employment enrollees show them as relatively less disadvantaged, we should expect better outcomes from these services for the 1976 cohort. In other words, the outcomes of service types are a function of the characteristics of their enrollees and also of the nature of the services themselves.

WITHIN-PROGRAM WAGES AND ANCILLARY BENEFITS

A program that does not provide adequate monetary and other resources to its enrollees may be unlikely to retain them long enough to realize its economic and social objectives. Unfortunately, information on within-program benefits is available only for samples of participants in adult CETA services for January to June 1975 and fiscal 1976. 1/

As table 11 shows, the average hourly wage paid to participants in one-the-job training, public service employment, and work

1/This information is for January-June 1975 enrollees with at least 8 days of CETA experience but terminated from CETA within 36 months of entry and for 1976 enrollees terminated within 18 months of entry. (Westat, 1979a and 1981b)

89

Table 12

Average Within-Program Annualized Earnings by Service Type a/

	Participant group	
	January-June 1975	FY 1976
On-the-job training	$5,790	$5,500
Work experience	4,670	4,170
Public service employment	6,500	5,920

Source: Westat, Inc., Continuous Longitudinal Manpower Survey, Follow-Up Report No. 2 (Washington, D.C.: U.S. Department of Labor, March 1979), p. 3-19, and Continuous Longitudinal Manpower Survey, Follow-Up Report No. 3 (Washington, D.C.: U.S. Department of Labor, January 1981), p. 4-12.

a/The computation of average annualized earnings included all jobs held, not just CETA jobs. To obtain average annual earnings, Westat divided total inprogram earnings by the number of days between CETA entrance and termination dates and then multiplied by 365.

experience reveal patterns of superiority for public service employment and on-the-job training over work experience for both samples of participants. Because the data on training allowances are incomplete and of questionable accuracy, wage rate data are not available for classroom training. During January-June 1975, the national minimum wage was $2.10; it increased to $2.30 on January 1, 1976. The lower wages that work experience participants received and their lower estimated annualized earnings, as shown in table 12, are somewhat accounted for by differences in within-program occupational areas and by the fact that a large proportion of them--one-third in fiscal 1976--held part-time subsidized jobs.

When the average annualized earnings for the within-program period are compared to average annualized earnings based on wages received in the three months before CETA enrollment, they show that participants realized substantial increases in earnings while they were in CETA. The percentage changes associated with service types were around +200 percent (+231 percent for PSE) for the fiscal 1976 participants and varied from +124 percent for on-the-job training to +249 percent for public service employment for the January-June 1975 group. Percentage changes in average annualized earnings are naturally tied closely to levels of labor force participation before entry to the program and thus can be expected to vary across service types. We saw differences in the pre-CETA labor force experiences of participants in four types of CETA services in tables 8 and 9. Gains over the pre-CETA period were substantial for participants, but it should be kept in mind that CETA participants had atypically low earnings in the quarter preceding their enrollment.

Besides providing wages for employment and allowances for training, CETA offers ancillary employment and support services.

Ancillary employment services include counseling, testing, work orientation, coaching, job referral, and followup. Support services include medical and other health care, child care, transportation, and residential support.

Nearly half, or 44 percent, of the January-June 1975 participant sample received some form of ancillary service. Forty-two percent received an employment service and 8 percent a supportive service. (Westat, 1981b) For the fiscal 1976 sample, the corresponding proportions were 47 percent overall--43 percent employment, 13 percent supportive. (Westat, 1979a) These percentages are probably underestimates given that ancillary services provided by subcontractors may go unrecorded. The intensity and quality of the services is unknown, but a large proportion of CETA participants received some form of additional assistance beyond that for skill training and jobs.

Participant satisfaction with services also gives us a clue about the quality of programs. In the 1975 sample, 88 percent of the participants reported being either satisfied or very satisfied with CETA. In the fiscal 1976 sample, 86 percent did the same. (Westat, 1979a) Across the types of service, reported satisfaction levels varied little.

PARTICIPANTS' EMPLOYMENT STATUS AT PROGRAM TERMINATION

Prime sponsor reports give data on participants' termination status for the Comprehensive Services and combined PSE titles for fiscal years 1975-80. (DOL combines PSE data across titles because of the many transfers back and forth between them in CETA's later years.) Data are also available by service type from the Continuous Longitudinal Manpower Survey for the January-June 1975 and the fiscal 1976 samples.

According to the DOL data shown in table 13 on page 52, the percentage of participants in Comprehensive Services leaving the program between fiscal 1975 and fiscal 1980 in a positive status averaged fairly constantly about 70 percent, except for 1975, when it was 61 percent. These people had been placed in a job, were in school, had joined the armed forces, or were engaged in an activity that would increase their employability.

The proportion who were placed in jobs was slightly less than a third through 1976 but increased to 37 to 45 percent in later years. At least half of those who were placed had received some form of CETA training, employment, or support service beyond intake, assessment, and referral services.

Fewer than one-third of the participants left the program in a nonpositive status, except for the first year, when the percentage was 39. These were people who after they terminated were unemployed, had left the labor force, did not continue ed-

Table 13

Status of Terminees for Comprehensive Services Title IIB-C
for Fiscal Years 1975-80 (in Percent) a/

	1975	1976	TQ1976	1977	1978	1979	1980
Positive b/							
Direct placement	10	9	8	6	9	8	--
Indirect placement	15	16	15	24	24	24	--
Self-placement	6	6	5	8	11	12	--
Total placement	31	31	28	39	45	44	37
Other c/	30	37	41	31	27	29	31
Total positive	61	68	69	70	71	72	68
Nonpositive d/	39	32	31	30	28	28	32

Source: U.S. Department of Labor, Employment and Training Administration.

a/Fiscal years 1975 and 1976 begin July 1; fiscal years 1977-80 begin October 1. TQ 1976, the transition quarter July 1 to September 30, 1976, is a bridge between 1976 and 1977. Totals may not add because of rounding.

b/Direct placement was in unsubsidized employment after receiving only intake, assessment, or referral service from CETA. Indirect placement was in unsubsidized employment after participating in CETA training, employment, or supportive service. Self-placement refers to obtaining unsubsidized employment without CETA placement assistance. The total includes all enrollees who entered unsubsidized employment.

c/Other includes intertitle transfers, people who terminated from the program and enrolled full time in an academic or a vocational school, entered a branch of the armed forces, enrolled in a manpower program not funded by CETA, or engaged in some other activity that increased the individual's employability.

d/All individuals who terminated from the program and did not have positive status.

Table 14

Status of Terminees for Combined Public Service Employment
Titles IID and VI for Fiscal Years 1975-80 (in Percent) a/

	1975	1976	TQ1976	1977	1978	1979	1980
Positive b/							
Direct placement	2	2	1	1	0	0	--
Indirect placement	16	22	26	26	18	23	--
Self-placement	13	14	14	15	16	16	--
Total placement	31	38	41	42	35	39	33
Other c/	9	8	8	9	8	11	9
Total positive	40	46	49	51	42	50	44
Nonpositive d/	60	54	51	49	58	50	56

Source: U.S. Department of Labor, Employment and Training Administration.

a/Fiscal years 1975 and 1976 begin July 1; fiscal years 1977-80 begin October 1. TQ 1976, the transition quarter July 1 to September 30, 1976, is a bridge between 1976 and 1977. Totals may not add because of rounding.

b/Direct placement was in unsubsidized employment after receiving only intake, assessment, or referral service from CETA. Indirect placement was in unsubsidized employment after participating in CETA training, employment, or supportive service. Self-placement refers to obtaining unsubsidized employment without CETA placement assistance. The total includes all enrollees who entered unsubsidized employment.

c/Other includes people who terminated from the program and enrolled full time in an academic or a vocational school, entered a branch of the armed forces, enrolled in a manpower program not funded by CETA, or engaged in some other activity that increased the individual's employability. It excludes intertitle transfers.

d/All individuals who terminated from the program and did not have positive status.

ucation or training, or were not doing any of the activities within the positive category.

Comparable termination status data for the combined PSE titles are given in table 14. People in the positive category fluctuated between 40 and 51 percent, with the low of 40 percent occurring in 1975, the first year, and a dip later in 1978 to 42 percent. These figures are lower than those for the Comprehensive Services title, but the difference may be partly from excluding transfers between CETA titles from the "other positive status" category, as noted in table 14. Indeed, placement rates, as given in the "total placements" category, for the Comprehensive Services and PSE titles were roughly similar.

The PSE placement rate ranged from 31 to 42 percent, with low points in 1975, 1978, and 1980. The low placement rate for 1975 may be a function of CETA's startup, while the 1978 dip may mean that less attention was paid to transition activities for placement during PSE's buildup. No explanation is offered for the 1980 dip.

The percentage of terminees assigned to the nonpositive category fluctuated between 49 and 60 percent, with the poorest performance in the first year of operation. This category, for PSE as for Comprehensive Services, contains people who were out of the labor force as well as others who were unemployed. Although the figure for the nonpositive category appears to be high, it is important to consider that PSE participants tended to be less disadvantaged overall than participants in the Comprehensive Services title. They may thus have been more likely to engage in prolonged job searches on their own than to secure immediate employment through CETA referral services. The higher percentage of self-placements for the PSE titles (13 to 16 percent) compared to the Comprehensive Services title (5 to 12 percent) supports this hypothesis.

Data from CLMS on the termination status of CETA participants are more specific (although somewhat dated) in that they provide information by type of service rather than title. (Westat, 1979a) For PSE services, we should expect not much difference in the coverage of the participant group, but the in-school youth work experience programs of title IIB-C are excluded, as are counseling and job referral services.

Table 15 on the next page presents CLMS data on labor force status at one day after termination for the fiscal 1976 sample. Nearly 70 percent of participants in on-the-job training and in PSE reported being employed upon termination from the program. Of the participants in work experience, 55 percent were employed; the lowest figure, at 39 percent, was for participants in classroom training.

These figures make the same pattern in reverse for unemployed terminees, with as many as a quarter to a third of work experi-

Table 15

Estimated Labor Force Status One Day After Termination by Service Type for Fiscal Year 1976 (in Percent) a/

	Training		Employment	
	Classroom	On-the-job	Work experience	Public service
Employed	39	69	55	67
Unemployed	29	14	19	17
Not in labor force b/	32	17	26	16

Source: Westat, Inc., Continuous Longitudinal Manpower Survey, Follow-Up Report No. 2 (Washington, D.C.: U.S. Department of Labor, March 1979), appendix D, tables 14-17.

a/Percentages are computed within each service type.
b/Includes people primarily in school or training, serving in the armed forces, institutionalized, and not looking for work because of family responsibilities, illness, disability, or some other reason.

ence and classroom training participants being reported out of the labor force (not working or looking for work) at the time they left CETA. For the January-June 1975 sample, the patterns are parallel, lending credibility to the fiscal 1976 figures.

With the exception of the figures for classroom training, employment rates are greater than 50 percent. The 39 percent rate for classroom training should be viewed in relation to the characteristics of the participants. Those who engaged in classroom training in fiscal 1976 were among the most disadvantaged of all enrollees in adult services, as we saw in table 8. Work experience participants, however, were also relatively disadvantaged; thus, the lower employment rate at exit for terminees from classroom training may have something to do with its being the only service type that does not involve direct exposure to employers. We can only speculate, but if employers are more likely to hire people they know, classroom training terminees may face greater difficulty in immediately translating their acquired skills into jobs than do terminees from other services.

There are large discrepancies in the CLMS "entered employment" rates reported in table 15 and the DOL "placement" rates reported in tables 13 and 14. The fiscal 1976 PSE employment rate shown in table 15 from CLMS data is 67 percent; the placement rate shown in table 14 from DOL data for the combined PSE titles for fiscal 1976 is 38 percent. Employment rates for the other service types similarly ranged from 39 to 69 percent in CLMS, while placement for the Comprehensive Services title is outside this range, at 31 percent for fiscal 1976.

One explanation for these differences is, of course, in the CLMS sampling frame of adult-oriented services as contrasted

with the universe of services covered by the DOL prime sponsor reporting system. The explanation is especially useful in accounting for the Comprehensive Services title data since the title's administrative data include in-school youth services. But another explanation is in the source of the data itself. Placement rates by title came from prime sponsor administrative records; CLMS employment rates one day after termination were constructed jointly from prime sponsor records and interviews with program participants. Even while it is probably true that collecting data from people retrospectively about their labor force status is subject to distortion, it is also likely that the prime sponsor administrative records on placement rates underreport the number of people who moved directly into employment when they left CETA. For example, people who left CETA because they obtained employment may appear erroneously on prime sponsor records as nonpositive terminees if they failed to inform program personnel of the reasons for their leaving. For PSE, underreporting in fiscal 1976 may have been by as much as 29 percent.

Placement rates can reflect many things--effectiveness of services, intensity of job referral assistance, quality of jobs, skills and motivation of job seekers, compulsiveness of record-keepers, are among them. The CLMS and administrative data indicate that in fiscal 1976 anywhere from 31 to 69 percent of participants in services under the Comprehensive Services title were employed at the time they terminated from the program; the percentages for PSE participants were 38 to 67. The percentages depend on both the type of service and the source of the data.

The CLMS percentage of fiscal 1976 participants reporting themselves unemployed one day after termination--14 to 29 percent, depending on the type of service--compares favorably with the figure of 32 percent unemployed during most of the year before CETA. Yet employment rates at termination are not an adequate measure of CETA's effectiveness. They do not give us information on job quality, the opportunity it offers for upward movement, its stability and wage rate, or the degree to which it enables the person to earn what is necessary to become self-sufficient.

SUMMARY

Significant proportions of enrollees in the Comprehensive Services and public service employment titles were disadvantaged economically and educationally when they entered the program and they had little past employment stability. Approximately one-third of those who enrolled in the four major adult services between fiscal 1976 and fiscal 1978 were unemployed at least 50 percent of the year preceding their enrollment, and another one-fourth to one-third were out of the labor force at least 50 percent of that year. From 71 to 78 percent of the fiscal 1975, 1977, and 1979 Comprehensive Services title IIB enrollees were

at or below the OMB poverty level. In fiscal 1979, 68 and 63 percent of PSE titles IID and VI enrollees were at or below the OMB poverty level; in 1975, the economically disadvantaged constituted only 44 to 48 percent of all PSE enrollees. Slightly more than one-fourth of the fiscal 1979 enrollees were high school dropouts.

Over the 1975-80 period, the mix of services received under the Comprehensive Services title shifted in the direction of increasing the services designed to foster the acquisition of job skills rather than job experience. The shifts in function areas of public service employment jobs between fiscal 1976 and fiscal 1978 appear to have been consistent with efforts to discourage the use of PSE workers to support the ongoing services of local governments.

The within-program occupational experiences of participants differed by type of service, at least for fiscal 1976. Public service employment and work experience concentrated in the clerical, service, and laborer occupational areas. Classroom training also emphasized the clerical, but both classroom and on-the-job training placed more emphasis on craft and operative occupations than did either public service employment or work experience. Shifts in service mix in the Comprehensive Services title since 1976 and changes in eligibility criteria and wage restrictions under the Public Service Employment titles may have altered this relationship somewhat.

The characteristics of participants varied across service types. In fiscal years 1976 and 1978, the least disadvantaged of CETA participants received on-the-job training services, while the most disadvantaged received classroom training and work experience. In fiscal 1976, PSE participants, like on-the-job training participants, were relatively less disadvantaged, but in fiscal 1978 the profiles of PSE participant characteristics appeared to be more similar to those of participants in classroom training and work experience.

Participants in on-the-job training, work experience, and public service employment during January to June 1975 and fiscal 1976 realized substantial improvements in their earnings while they were enrolled in CETA over their pre-CETA earnings. Additionally, nearly half of the participants in CETA adult services in the same period received some form of ancillary employment and support services beyond skills training or subsidized work opportunities. Moreover, the overwhelming majority--more than 85 percent--of the participants in CETA adult services during January-June 1975 and fiscal 1976 reported being either satisfied or very satisfied with the program.

National placement rates at termination for participants in the Comprehensive Services title ranged around 30 percent in early years and moved closer to 45 percent in later years.

Placement rates for the PSE titles fluctuated between 31 and 42 percent.

CLMS data on labor force status at termination, constructed from prime sponsor records and interviews with participants in adult services for January to June 1975 and fiscal 1976, produced rates much higher than those obtained from DOL's prime sponsor reporting system for 1976. PSE participants reported an "entered employment at termination" rate of 67 percent, and the other percentages were 69 for on-the-job training, 55 for work experience, and 39 for classroom training. These data indicate that DOL national data on termination status may underestimate the percentage of people actually entering employment after CETA.

Summing all this up in brief, we can see that CETA was refocused over time to serve the disadvantaged and that after this refocusing the participant profile of public service employment shifted more toward the disadvantaged. Programs that are designed to match participants' needs and interests with employment and training services and that are administered locally are also very complex. As a result, the implementation data must be interpreted carefully. For example, while the profile of relatively less disadvantaged participant characteristics for on-the-job training services may initially appear undesirable, it is consistent with the definition of on-the-job training as a service suitable for people who are ready for jobs and can move into an employment setting and acquire occupational skills within that setting. The profile of the more disadvantaged work experience participants is consistent, too, with the use of this service as one that is appropriate for people who have little or no recent employment experience.

Participants in at least the early years of CETA realized several benefits while they were in the program, yet their earnings gains within the program must be viewed in the context of their relatively low earnings in the quarter preceding their enrollment. Substantial numbers obtained employment at termination, but placement at termination is not necessarily related to their long-term earnings gains. Moreover, as we noted in chapter 3, the placement rate data are not a satisfactory measure of overall program effectiveness and should be viewed instead as only descriptive of immediate postprogram experience.

Even sophisticated analysis techniques cannot completely adjust for all differences in group characteristics. When we compare service types, therefore, we must try to know as much as possible about the characteristics of the participants and the content of the services that were provided to them. This knowledge is important to our interpretation and understanding of outcome and effectiveness data. From the information presented in this chapter, for example, we would anticipate superior outcomes for participants in on-the-job training

compared to other services as a function both of their being less disadvantaged and of the higher-wage occupational areas of training they received. We would have the opposite expectation for work experience.

CHAPTER 5

CETA PARTICIPANTS' EXPERIENCES BEFORE AND AFTER PROGRAM PARTICIPATION

In this chapter, we describe the experiences of terminees from adult CETA services and contrast these experiences with the period before CETA. This gives us a rich descriptive picture from the participant perspective. The data we present are suitable for descriptive purposes only, however. They tell us about gross changes between the preprogram and postprogram periods, but they do not permit us to draw conclusions about program effectiveness. In other words, it is not possible to state whether terminees would have had these experiences in the absence of the program.

We drew our information mainly from the second and third followup reports of the Continuous Longitudinal Manpower Survey (CLMS), which cover new enrollees in CETA between January 1975 and June 1976. CLMS is an ongoing effort by DOL's Office of Policy, Evaluation, and Research to track the experiences of CETA terminees and evaluate the program's effectiveness. It includes program records and individual interviews of some 11,000 people annually at 3, 9, 18, and 36 months after their entrance into adult-oriented services.

Our descriptions in this chapter include earnings, hourly wage rates, percentages of time employed, percentages of terminees employed, receipt of public benefits and Unemployment Insurance, and types of employer and job. 1/ When possible, we describe experiences both before CETA entry and after termination, and our emphasis is on, first, outcomes for adult services overall and, second, outcomes by service type. We summarize outcomes for demographic subgroups only briefly.

Our data are for three groups of terminees. One group contains 24-month terminees--participants January to June 1975, newly enrolled, and in CETA for at least 8 days, and, by 36 months after entry, terminated from the program for a minimum of 24 months. A second group contains 12-month terminees--participants in fiscal year 1976 (July 1975 to June 1976), newly enrolled, and in CETA for at least 8 days, and, by 18 months after entry, terminated from the program for a minimum of 12 months. A third group, of which the second is a subset, contains 3-month terminees--participants in fiscal 1976, newly enrolled and in CETA for at least 8 days, and, by 18 months after entry, terminated from the program for a minimum of 3 months. For some variables, comparable data were not available for all three groups. In these cases, we summarized the experiences of one or both of the two others or used another terminee group.

1/Dollar amounts for wages and earnings reported in this chapter have not been adjusted for inflation.

Using these groups, whose experiences were in many ways remarkably similar, allows us to search for consistent patterns of experience and heightens our confidence when we find them. The groups do differ in several significant ways, however. First, the January-June 1975 people were on average less disadvantaged than people in the fiscal 1976 groups. They also included people who transferred between titles, while such transfers were excluded from the fiscal 1976 data. Second, the mix of services provided in fiscal 1976 had shifted slightly more toward classroom and on-the-job training and, because postprogram outcomes are associated with service type, overall direct comparison with the January-June 1975 group is therefore problematic. Finally, the fiscal 1976 12-month terminees had had no more than 6 months of exposure to CETA. This may also be a problem, since it has been found that length of time in CETA is associated with postprogram experience. (Westat, 1981a) Other factors that may differ for the groups include labor market conditions at the time of termination and the level of minimum wage. More complete discussions can be found in the CLMS reports.

PARTICIPANTS' EXPERIENCES OVERALL

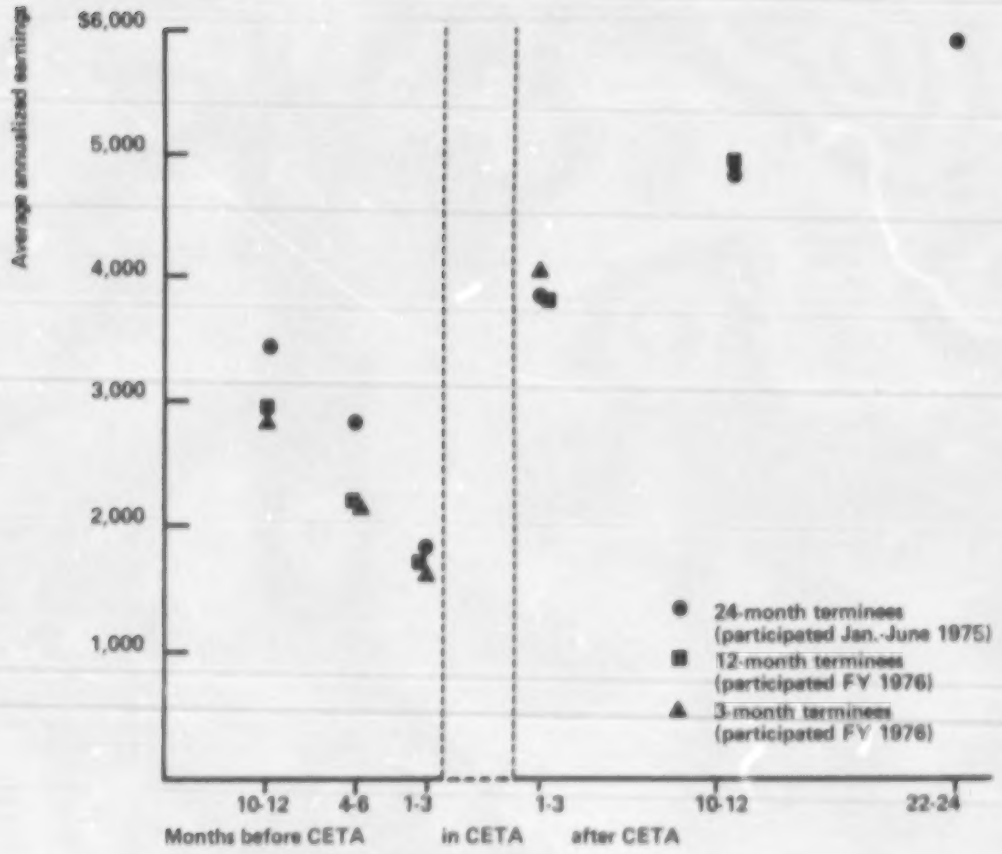
Wages earned and time employed

Average annualized earnings, average percentage of time employed, and percentage of people employed for one year before CETA and, as data were available, for up to 24 months after termination are shown in tables 16, 17, and 18 (on pages 62 and 63), without distinction by title or service type. Average hourly wages received before and after participation by the fiscal 1976 terminee groups and a January-June 1975 12-month terminee group are shown in table 19. The patterns of labor force experience for these groups are fairly similar, except that the preprogram experience of the January-June 1975 group was the most favorable.

With respect to average annualized earnings, all three groups show consistent patterns of decreased earnings during the year preceding entry into CETA and increased earnings in the year after CETA. The 1975 group had slightly greater earnings in the fourth and second quarters before entry but resembled the 1976 terminee groups in the quarter immediately before enrollment. When they entered CETA, all groups had extremely low annualized earnings--no higher than $1,710. Three months after they terminated, their average annualized earnings ranged between $3,680 and $3,930, far superior to the preceding year. The fiscal 1976 12-month terminee group demonstrated further improvement 10 to 12 months after termination, rising to $4,990, and the 1975 group improved from an average $3,690 1 to 3 months after leaving the program to an average $5,800 22 to 24 months after leaving it. 1/

1/Average annualized earnings in table 16 are based on all terminees, including the unemployed. Considering only terminees

Figure 4
Average Annualized Earnings Before and After CETA
for Terminees Who Participated January - June 1975 and Fiscal Year 1976



We show the average annualized earnings patterns in figure 4. Part of the explanation for the postprogram increases in earnings can be found in increases in the percentage of time these individuals reported being employed after CETA participation. During the year before their enrollment, their circumstances had been deteriorating from an average of employment 43 to 53 percent of the time 10 to 12 months before entry to an average of employment only 29 percent of the time in the 3 months immediately preceding enrollment. After leaving the program, they reported being employed an average of 53 to 56 percent of the time in the first 3 months, increasing this to 61 to 65 percent at 10 to 12 months and 68 percent, for the 24-month terminee group, at 22 to 24 months.

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who worked, corresponding figures for fiscal 1976 3-month and 12-month terminee groups are slightly more than $5,000 1 to 3 months after CETA and $7,300 10 to 12 months afterward.

Table 16

Average Annualized Earnings of CETA Terminees
Who Participated in Adult Services
in January-June 1975 and Fiscal Year 1976

	Months after termination		
	FY 1976		January-June 1975
	3	12	24
Earnings before entry			
10-12 months	$2,760	$2,850	$3,310
4- 6 "	2,050	2,070	2,740
1- 3 "	1,560	1,600	1,710
Earnings after termination			
1- 3 months	3,930	3,680	3,690
10-12 "	(a)	4,990	4,760
22-24 "	(a)	(a)	5,800

Source: Westat, Inc., Continuous Longitudinal Manpower Survey, Follow-Up Report No. 2 (Washington, D.C.: U.S. Department of Labor, March 1979), appendix D, tables 54 and 57, and Continuous Longitudinal Manpower Survey, Follow-Up Report No. 3 (Washington, D.C.: U.S. Department of Labor, January 1981), appendix D, table 35.

a/Does not apply.

Table 17

Percentage of Time Employed for CETA Terminees
Who Participated in Adult Services
in January-June 1975 and Fiscal Year 1976

	Months after termination		
	FY 1976		January-June 1975
	3	12	24
Time period before entry			
10-12 months	44%	43%	53%
4- 6 "	36	36	45
1- 3 "	29	29	29
Time period after termination			
1- 3 months	56	53	54
10-12 "	(a)	61	65
22-24 "	(a)	(a)	68

Source: Westat, Inc., Continuous Longitudinal Manpower Survey, Follow-Up Report No. 2 (Washington, D.C.: U.S. Department of Labor, March 1979), appendix D, tables 56 and 59, and Continuous Longitudinal Manpower Survey, Follow-Up Report No. 3 (Washington, D.C.: U.S. Department of Labor, January 1981), appendix D, table 34.

a/Does not apply.

Table 18

Percentage of CETA Terminees Employed Who Participated in Adult Services in January-June 1975 and Fiscal Year 1976

	Months after termination		
	FY 1976		January-June 1975
	3	12	24
Percent employed before entry			
12 months	44	43	52
3 months	33	33	36
1 day	24	24	25
Percent employed after termination			
3 months	55	53	57
12 "	(a)	60	64
24 "	(a)	(a)	68

Source: Westat, Inc., Continuous Longitudinal Manpower Survey, Follow-Up Report No. 2 (Washington, D.C.: U.S. Department of Labor, March 1979), appendix D, table 42, and Continuous Longitudinal Manpower Survey, Follow-Up Report No. 3 (Washington, D.C.: U.S. Department of Labor, January 1981), appendix D, table 32.

a/Does not apply.

Table 19

Average Hourly Wages of Employed CETA Terminees Who Participated in Adult Services in January-June 1975 and Fiscal Year 1976

	Months after termination		
	FY 1976		January-June 1975
	3	12	12
Wages before entry			
10-12 months	$3.16	$3.18	$3.19
6- 4 "	3.09	3.09	3.25
3- 1 "	3.06	3.10	3.10
Wages after termination			
1- 3 months	3.35	3.30	3.20
10-12 "	(a)	3.77	3.54

Source: Westat, Inc., Continuous Longitudinal Manpower Survey, Follow-Up Report No. 2 (Washington, D.C.: U.S. Department of Labor, March 1979), appendix D, tables 55, 58, and 76.

a/Does not apply.

The percentage of people employed shows a similar pattern. Here the data are for points in time rather than quarters. Only about 25 percent of these CETA participants reported being employed at the time they entered CETA, but approximately 55 percent were employed three months after they left CETA, and their labor force participation increased in subsequent months. Sixty-eight percent of the 1975 group reported being employed 2 years after leaving CETA, 43 percent more than when they entered CETA and 16 percent more than a year before enrollment.

The data on average hourly wages displayed in table 19 show that before CETA there was little fluctuation in reported wage levels. The deteriorating economic circumstances noted for these groups in the year before CETA appears, thus, to have been a function of their having worked less during the year before entry. One to 3 months after CETA, only slight improvement can be seen in wage levels, but for fiscal 1976 and January-June 1975 12-month terminee groups, moderate improvement is evident 10 to 12 months after termination.

Table 20 summarizes all these changes for January-June 1975 and fiscal 1976 12-month terminees. It gives figures both for changes in group averages from the first quarter preceding entry into CETA to the fourth quarter after termination and for changes from the fourth quarter preceding entry to the fourth quarter after termination. This translates into comparisons of experiences 1 to 3 months before enrollment and 10 to 12 months before

Table 20

Intermediate Changes in Average Annualized Earnings, Average Hourly Wages, and Average Percentage of Time Employed for 12-Month CETA Terminees Who Participated in Adult Services in January-June 1975 and Fiscal Year 1976

Comparison base and variable	January-June 1975	FY 1976
Quarter before entry to 4th quarter after termination		
Average annualized earnings	+$3,040.00	+$3,390.00
Average hourly wages a/	+$0.44	+$0.67
Average time employed	+30%	+32%
4th quarter before entry to 4th quarter after termination		
Average annualized earnings	+$1,280.00	+$2,140.00
Average hourly wages a/	+$0.35	+$0.59
Average time employed	+8%	+18%

Source: Westat, Inc., Continuous Longitudinal Manpower Survey, Follow-Up Report No. 2 (Washington, D.C.: U.S. Department of Labor, March 1979), p. 6-78.

a/Change in average hourly wages is calculated only for people employed in both the quarter before entry and the quarter after termination.

enrollment with experiences 10 to 12 months after termination. The first comparison shows large increases on all three measures, since it contrasts each CETA group's experiences at its lowest point in the year before CETA with its experiences almost one year after the program. To the extent that this period immediately before enrollment does not reflect normal circumstances for people in these groups, these figures are inflated estimates of change.

The second comparison--fourth quarter before compared with fourth quarter after--is more conservative. By using data on labor force experiences 10 to 12 months before entering CETA as the baseline, it contrasts what may have been the more typical circumstances of these people with their experiences 10 to 12 months after leaving CETA. The decision as to the most appropriate baseline for pre-post comparisons rests on whether one believes that participants' circumstances immediately before the program would have remained at this level in the absence of the program. We have elected to use the more conservative comparison for most of our presentations in this report. Even this conservative comparison, however, shows that both groups increased their average annualized earnings, average hourly wages, and average percentage of time employed. While some proportion of the pre-post earnings and wage gains are probably a function of inflation, the fact that increases also occurred for the percentage of time employed and, as documented in table 18, for the percentage of people working argues against inflation accounting for all the increase. The 1975 group increased $1,280 in average annualized earnings, $0.35 in hourly wages, and 8 percent in percentage of time employed. The 1976 group had large and positive gains on all three measures--$2,140, $0.59, and 18 percent. The larger increases for the 1976 group may be a function of their greater disadvantage before CETA or the improved economic conditions at the time of their exit.

Grouping fiscal 1976 12-month terminees into categories according to their earnings change patterns from the fourth quarter before CETA to the fourth quarter after CETA, Westat summarized the results as follows:

> Terminees were classified as gainers if their post-CETA annualized earnings were more than 10 percent higher than they were in the fourth quarter before CETA entry; as recoverers if their annualized earnings after termination were within 10 percent of their pre-CETA earnings; as nonrecoverers if their post-CETA annualized earnings were more than 10 percent lower than their pre-CETA earnings; and as nonearners if they had no earnings in either comparison quarter. Over half (53 percent) of the 12-month terminees were gainers, 5 percent were recoverers, one-fifth were nonrecoverers, and another fifth were nonearners [emphasis added]. This distribution is generally similar among

the terminees who entered CETA between January and June 1975 [12-month terminees], except that the earlier group includes slightly more nonrecoverers and slightly fewer gainers and nonearners. (Westat, 1978a, pp. 1-16)

Public benefits received

One criterion for assessing the effectiveness of employment and training programs is whether they enable participants to become self-sufficient. Sources and amounts of "other income"--public benefits and Unemployment Insurance (UI) payments--should tell us something about this. Table 21 summarizes these data for January-June 1975 24-month terminees for before and after CETA.

These data should be interpreted cautiously. Except for UI, they refer to households, not individuals; a participant's circumstances could have improved substantially while the household was still qualifying for some form of public benefit. It is also possible that the composition of some participant households was not the same after CETA as it was before CETA, particularly for young adult participants who became employed after CETA and established independent households.

Despite its inadequacies, this is the only information available that covers substantial time periods both before and after program participation. It shows that fully 38 percent of these terminees' households received at least one form of public bene-

Table 21

Percentage Distribution of 24-Month CETA Terminees Who Participated in Adult Services in January-June 1975 by Receipt of Public Benefits and Unemployment Insurance

	Before entry	After termination	
	One year	1st year	2nd year
Public benefits			
At least one	38	32	25
None	62	68	75
Special benefits a/			
Aid to Families with Dependent Children	14	13	11
Supplemental Security Income	3	6	4
Other public assistance	7	6	5
Food stamps	28	25	17
Housing assistance	6	8	7
Unemployment Insurance b/			
Some	26	22	15
None	74	78	85

Source: Westat, Inc., Continuous Longitudinal Manpower Survey, Follow-Up Report No. 3 (Washington, D.C.: U.S. Department of Labor, January 1981), appendix D, table 27.

a/Two or more types of benefit may be received simultaneously.
b/Respondent only.

fit in the year preceding CETA. The dominant public benefit was food stamps, at 28 percent of households, followed by AFDC, at 14 percent. In the second year after termination, the percentage of terminees' households that received some form of benefit dropped to 25, food stamps dropped to 17, and AFDC dropped to 11 percent. Twenty-six percent of the terminees reported receiving UI payments in the year before CETA, 22 percent in the first year after CETA, 15 percent in the second year.

The changes in receipt of public benefits are somewhat difficult to interpret given that eligibility criteria for programs may have changed in the interim and that the composition of terminee households may also have changed. Whether the dollar value of transfer payments increased or decreased is also not known. It is possible, for example, that the improved employment status of terminees resulted in reduced allotments of food stamps. That 25 percent of terminee households still sought and received benefits two years after CETA demonstrates that CETA was not able to create gains in earnings sufficient to enable total independence of the terminee household. This is a strict criterion for assessing program effectiveness. However, we have no information on the amounts of benefits received or whether reliance on public benefits would have increased in the absence of the program beyond preprogram levels. Likewise, the 15 percent of terminees receiving UI payments in the second year following CETA must be put in the context of the employment opportunities available at that time and must be qualified by the fact that we lack information on amounts and durations of payments as well as whether individuals had exhausted their UI eligibility.

Private sector employment

In recent years, CETA has increasingly emphasized the movement of participants into private sector jobs. (We discuss this in connection with title VII in chapter 7.) Since most new jobs are in the private rather than the public sector, one measure of CETA's success as a training program is the degree to which its terminees obtain private sector employment. Which sector January-June 1975 24-month terminees held jobs in at various times before and after CETA is summarized in table 22 on the next page.

Focusing only on the "all services" column, we see that the percentage of employees in the private sector decreased in the year before CETA from 82 to 66 percent; after CETA, it stood at 44 percent and increased slowly again to 66 percent, never reaching the 82 percent level of 12 months before entry. Westat also summarized this experience:

> Over the two post-CETA years, the percent of terminees who were in public employment decreased sharply although the number of these terminees remained relatively stable. This is because private employment increased

Table 22

Percentage of Employed 24-Month CETA Terminees Whose Primary Jobs Were with Private Employers and Who Participated in Adult Services in January-June 1975 a/

	CT	OJT	WE	PSE	All services
Time before entry					
12 months	90	86	79	78	82
1 month	85	85	71	49	66
Time after termination					
1 day	83	84	36	23	44
1 month	82	84	46	39	56
3 months	81	85	54	47	61
12 "	84	84	62	47	63
24 "	84	83	65	52	66

Source: Westat, Inc., Continuous Longitudinal Manpower Survey, Follow-Up Report No. 3 (Washington, D.C.: U.S. Department of Labor, January 1981), appendix D, table 33.

a/CT is classroom training, OJT is on-the-job training, WE is work experience, and PSE is public service employment.

Table 23

Percentage of Employed CETA Terminees Whose Primary Jobs Were with Private Employers and Who Participated in Adult Services in Fiscal Year 1976 by Service Type a/

Months after termination	CT	OJT	WE	PSE	All services
3-month terminees					
3	84	90	58	51	70
12 b/	--	--	--	--	--
12-month terminees					
3 c/	--	--	--	--	--
12	88	91	68	63	78

Source: Westat, Inc., Continuous Longitudinal Manpower Survey, Follow-Up Report No. 2 (Washington, D.C.: U.S. Department of Labor, March 1979), pp. 5-8 and 5-16.

a/CT is classroom training, OJT is on-the-job training, WE is work experience, and PSE is public service employment.
b/Does not apply.
c/Not available.

> sharply over the period and so total employment, the base of the percentage, also increased. Similarly, although there was a decline in the actual number of terminees who were in public employment during the pre-CETA year, there was an even sharper decline in the number in private employment and thus the percent in public employment increased over the preprogram period. (Westat, 1981b, p. 6-24)

From table 23, it can be seen that 70 percent of employed fiscal 1976 3-month terminees were employed in the private sector 3 months after CETA and that 78 percent of employed people in the fiscal 1976 12-month group held jobs in the private sector 12 months after CETA. Both these figures are higher than the corresponding figures for the 1975 group.

PARTICIPANTS' EXPERIENCES BY SERVICE TYPE

Wages earned and time employed

Average annualized earnings, average percentage of time employed, percentages of people employed at selected times, and average hourly wage rates, disaggregated by type of service at time of enrollment, are shown in tables 24 through 27 (on pages 70-73) for the same terminee groups presented earlier in the chapter. The preprogram economic deterioration of all groups can be seen on these measures. Looking earlier at differences in the characteristics of participants assigned to the four services, we have already seen that people assigned to work experience and classroom training in fiscal 1976 were relatively more disadvantaged than others assigned to on-the-job training and public service employment. The average annualized earnings data in table 24 are consistent with that observation.

Terminees enrolled in on-the-job training and public service employment had higher average annualized earnings in the fourth quarter preceding CETA than did enrollees in the two other services. The pattern for average hourly wage rates for fiscal 1976 terminees in the fourth quarter before entry is identical. On the measures of percentage of time employed and percentage of people employed at selected times, the experiences of work experience enrollees in the fourth quarter preceding CETA appear to have been similar to the experiences of on-the-job training and public service employment. People in classroom training generally had the worst preprogram labor force experiences among the four groups.

Postprogram experiences of participants in the four service types form a similar pattern within all three terminee groups with respect to average annualized earnings, average percentage of time employed, and percentage of people employed at selected times. On all three measures, on-the-job training terminees

Table 24

Average Annualized Earnings of CETA Terminees Who Participated in Adult Services in January-June 1975 and Fiscal Year 1976 by Service Type a/

	FY 1976								January-June 1975			
	3-month terminees				12-month terminees				24-month terminees			
	CT	OJT	WE	PSE	CT	OJT	WE	PSE	CT	OJT	WE	PSE
Earnings before entry												
10-12 months	$2,140	$3,230	$2,600	$3,320	$2,240	$3,260	$2,790	$3,420	$2,600	$3,530	$3,080	$3,800
4- 6 "	1,530	2,510	1,700	2,560	1,530	2,480	1,770	2,640	2,110	3,290	2,350	3,120
1- 3 "	1,100	2,050	1,230	2,020	1,060	2,060	1,350	2,110	1,290	2,550	1,610	1,770
Earnings after termination												
1- 3 months	3,290	5,080	3,220	4,470	2,940	4,720	3,230	4,260	2,720	4,940	2,870	4,200
10-12 "	(b)	(b)	(b)	(b)	4,280	6,030	4,050	5,770	3,910	5,830	3,810	5,260
22-24 "	(b)	(b)	(b)	(b)	(b)	(b)	(b)	(b)	4,850	6,920	4,440	6,520

Source: Westat, Inc., Continuous Longitudinal Manpower Survey, Follow-Up Report No. 2 (Washington, D.C.: U.S. Department of Labor, March 1979), appendix D, tables 54 and 57, and Continuous Longitudinal Manpower Survey, Follow-Up Report No. 3 (Washington, D.C.: U.S. Department of Labor, January 1981), appendix D, table 35.

a/CT is classroom training, OJT is on-the-job training, WE is work experience, and PSE is public service employment.
b/Does not apply.

Table 25

Percentage of Time Employed for CETA Terminees Who Participated in Adult Services in January-June 1975 and Fiscal Year 1976 by Service Type a/

	FY 1976								January-June 1975			
	3-month terminees				12-month terminees				24-month terminees			
	CT	OJT	WE	PSE	CT	OJT	WE	PSE	CT	OJT	WE	PSE
Time period before entry												
10-12 months	37%	46%	46%	48%	37%	46%	47%	48%	45%	57%	53%	57%
4- 6 "	30	40	37	41	29	40	39	41	38	50	43	48
1- 3 "	22	34	28	34	21	36	30	33	24	40	31	30
Time period after termination												
1- 3 months	49	68	53	60	44	66	53	57	44	73	52	57
10-12 "	(b)	(b)	(b)	(b)	54	70	56	68	56	76	59	69
22-24 "	(b)	(b)	(b)	(b)	(b)	(b)	(b)	(b)	60	78	61	73

Source: Westat Inc., Continuous Longitudinal Manpower Survey, Follow-Up Report No. 2 (Washington, D.C.: U.S. Department of Labor, March 1979), appendix D, tables 56 and 59, and Continuous Longitudinal Manpower Survey, Follow-Up Report No. 3 (Washington, D.C.: U.S. Department of Labor, January 1981), appendix D, table 34.

a/CT is classroom training, OJT is on-the-job training, WE is work experience, and PSE is public service employment.

b/Does not apply.

Table 26

Percentage of CETA Terminees Employed Who Participated in Adult Services in January-June 1975 and Fiscal Year 1976 by Service Type a/

	FY 1976								January-June 1975			
	3-month terminees				12-month terminees				24-month terminees			
	CT	OJT	WE	PSE	CT	OJT	WE	PSE	CT	OJT	WE	PSE
Percent employed before entry												
12 months	37	46	48	48	37	45	49	48	44	55	53	55
3 "	26	39	35	38	25	40	35	37	31	45	36	38
1 day	15	32	23	29	15	33	26	30	15	40	29	25
Percent employed after termination												
3 months	50	65	52	57	46	64	52	54	48	71	54	60
12 "	(b)	(b)	(b)	(b)	54	68	56	64	57	76	59	68
24 "	(b)	(b)	(b)	(b)	(b)	(b)	(b)	(b)	61	78	59	73

Source: Westat, Inc., Continuous Longitudinal Manpower Survey, Follow-Up Report No. 2 (Washington, D.C.: U.S. Department of Labor, March 1979), appendix D, tables 48 and 51, and Continuous Longitudinal Manpower Survey, Follow-Up Report No. 3 (Washington, D.C.: U.S. Department of Labor, January 1981), appendix D, table 32.

a/CT is classroom training, OJT is on-the-job training, WE is work experience, and PSE is public service employment.
b/Does not apply.

Table 27

Average Hourly Wages of CETA Employed Terminees Who Participated in Adult Services January-June 1975 and Fiscal Year 1976 by Service Type a/

	FY 1976								January-June 1975			
	3-month terminees				12-month terminees				12-month terminees			
	CT	OJT	WE	PSE	CT	OJT	WE	PSE	CT	OJT	WE	PSE
Wages before entry												
10-12 months	$2.99	$3.32	$3.06	$3.29	$3.05	$3.31	$3.09	$3.29	$3.03	$3.00	$3.20	$3.33
4- 6 "	2.90	3.23	2.81	3.29	2.92	3.17	2.80	3.31	3.15	3.01	3.15	3.39
1- 3 "	2.93	3.13	2.78	3.26	2.99	3.07	2.81	3.35	3.10	2.88	3.02	3.20
Wages after termination												
1- 3 months	3.33	3.43	2.98	3.50	3.33	3.31	2.96	3.47	3.11	3.12	2.77	3.41
10-12 "	(b)	(b)	(b)	(b)	3.70	3.86	3.44	3.97	3.48	3.49	3.17	3.71

Source: Westat, Inc., Continuous Longitudinal Manpower Survey, Follow-Up Report No. 2 (Washington, D.C.: U.S. Department of Labor, March 1979), appendix D, tables 55, 58, and 76.

a/CT is classroom training, OJT is on-the-job training, WE is work experience, and PSE is public service employment.
b/Does not apply.

fared the best and were followed by public service employment terminees. The others had much poorer outcomes--from $1,000 to $2,500 less in average annualized earnings and approximately from 5 to 20 percent less in average time employed and in people employed at selected times.

The average hourly wage rate data deviated somewhat from this pattern. When classroom training terminees were employed after CETA, their hourly wages were evidently not much lower than the hourly wages of terminees from on-the-job training and public service employment. Work experience terminees, however, reported hourly wages approximately $0.25 to $0.65 lower than terminees from the other services. This was found across all times and within all groups.

Changes in average annualized earnings and average percentage of time employed for fiscal 1976 12-month terminees and January-June 1975 24-month terminees are shown in table 28. Average hourly wage rate data were not available in this form for all groups. These comparisons use a conservative baseline period of 10 to 12 months before program entry.

The same relative ordering of service types holds for changes as held for postprogram outcomes. On-the-job training terminee groups had the largest gains in average annualized earnings and average percentage of time employed (+$2,300 to +$3,390 and +19 percent to +24 percent), followed by public service employment terminee groups. Classroom training terminee groups were only slightly behind the latter. Work experience terminee groups were last again, with a range of earnings gains from +$730 to +$1,360 and an increase in average percentage of time employed from +6 percent to +9 percent. All changes were gains, however, and the changes in both measures were fairly substantial, even with the conservative baseline.

Public benefits received

Disaggregating by type of service yields frequencies too low to permit reliable comparisons of receipt of specific types of public benefits before and after CETA. Therefore, table 29 presents only aggregate information. The same cautions apply to interpreting this table as apply to table 21.

Classroom training and work experience terminee groups, consistent with our earlier discussions regarding their relatively disadvantaged status, had higher percentages of households receiving some form of public benefit both before and after CETA participation. More than 40 percent of terminees from these services had been in households receiving benefits before CETA; by the second year after termination, the percentage had declined by 10 to 12 points. Decreases were also observed for the two other groups, from 32 percent of households before to 19 percent two years after CETA. Receipt of Unemployment Insurance payments was

Table 28

Intermediate Changes in Average Annualized Earnings and Average Time Employed for CETA Terminees Who Participated in Adult Services January-June 1975 and Fiscal Year 1976 by Service Type a/

	CT	OJT	WE	PSE
FY 1976 12-month terminees				
4th quarter before entry to 4th quarter after termination				
Average annualized earnings	+$2,040	+$2,770	+$1,260	+$2,350
Average time employed	+17%	+24%	+9%	+20%
January-June 1975 24-month terminees				
4th quarter before entry to 4th quarter after termination				
Average annualized earnings	+$1,330	+$2,300	+ $730	+$1,460
Average time employed	+11%	+19%	+6%	+12%
4th quarter before entry to 8th quarter after termination				
Average annualized earnings	+$2,250	+$3,390	+$1,360	+$2,720
Average time employed	+15%	+21%	+8%	+16%

a/CT is classroom training, OJT is on-the-job training, WE is work experience, and PSE is public service employment.

most frequent for public service employment participants before CETA, at 30 percent, but declined to 15 percent two years after the program. Eight to 10 percent decreases in Unemployment Insurance participation were also evident for terminees from the other service types.

Table 29

Percentage Distribution of 24-Month CETA Terminees Who Participated in Adult Services January-June 1975 by Receipt of Public Benefits and Unemployment Insurance and by Service Type a/

	CT			OJT			WE			PSE		
	Year before	Year after		Year before	Year after		Year before	Year after		Year before	Year after	
	One	1st	2nd	One	1st	2nd	One	1st	2nd	One	1st	2nd
Public benefits												
At least one	46	46	36	32	22	19	43	40	31	32	24	19
None	54	54	64	68	78	81	57	60	69	68	76	81
Unemployment Insurance b/												
Some	20	18	12	25	20	15	27	26	17	30	22	15
None	80	82	88	75	80	85	73	74	84	70	78	85

Source: Westat, Inc., Continuous Longitudinal Manpower Survey, Follow-Up Report No. 3 (Washington, D.C.: U.S. Department of Labor, January 1981), appendix D, table 27.

a/CT is classroom training, OJT is on-the-job training, WE is work experience, and PSE is public service employment. Percentages may not add to 100 because of rounding.
b/Respondent only.

Private sector employment

There were large differences in the location of employment obtained by terminees from the four service types. Referring back to table 22, we can see that employed classroom and on-the-job training terminees, at 84 and 83 percent, were much more likely to have found jobs in the private sector 24 months after CETA than employed work experience or public service employment terminees, at 65 and 52 percent. This postprogram pattern held for the two fiscal 1976 terminee groups also.

One obvious explanation for this difference is that in-program subsidized work activities may have exposed participants to more opportunities for regular employment in the public sector than did training activities. A fair number may have been retained by their employers.

A second explanation is suggested by the data on the location of pre-CETA employment. Slightly lower percentages of employed terminees from subsidized work reported being employed in the private sector 12 months before CETA than terminees from training. The postprogram pattern may, therefore, to some degree represent a continuation of the original differences in employment location. Even so, the percentages of employed classroom and on-the-job training terminees holding jobs in the private sector 24 months after CETA were close to the 12-month pre-CETA levels, while the percentages of employed work experience and public service employment terminees holding private sector jobs 24 months after CETA were substantially below 12-month pre-CETA levels.

EXPERIENCES OF SELECTED DEMOGRAPHIC SUBGROUPS

In this section, we summarize briefly the experiences of participants by the demographic characteristics of gender, age, education, minority status, economic disadvantage, and labor force attachment before CETA. We do this with respect to annualized earnings and by gender for the occupational area of primary job.

Average annualized earnings of fiscal 1976 12-month terminees for the fourth quarter before CETA entry and the fourth quarter after termination are shown in table 30. Changes in group averages and percentages are also presented. As the table reveals, the changes in average annualized earnings between pre-CETA and post-CETA experiences varied considerably among these demographic groups. Men had larger absolute gains than women, younger people larger than older people, high school graduates larger than nongraduates, whites larger than blacks, and economically disadvantaged (households below the OMB poverty level at the time of CETA entry) slightly larger than noneconomically disadvantaged.

Looking only at gains, however, can mislead us about the actual postprogram status of some terminee subgroups. For in-

Table 30

Absolute and Percentage Changes in Annualized Earnings of 12-Month CETA Terminees Who Participated in Adult Services in Fiscal Year 1976

Characteristics at entry	Annualized earnings: 10-12 months before entry	Annualized earnings: 10-12 months after termination	Change a/: Absolute	Change a/: Percent
Male	$3,500	$6,050	+$2,500	+ 70
Female	1,730	3,420	+ 1,690	+ 97
Younger than 22	1,890	4,320	+ 2,430	+129
22-44 years old	3,180	5,360	+ 2,180	+ 68
45 and older	2,990	4,450	+ 1,460	+ 49
8th grade or less	2,820	4,200	+ 1,390	+ 49
9th-11th grade	2,400	3,880	+ 1,480	+ 61
12th or equivalent	2,600	5,010	+ 2,360	+ 89
Beyond high school	3,500	6,290	+ 2,790	+ 80
White	3,140	5,570	+ 2,430	+ 78
Black	2,240	3,890	+ 1,650	+ 74
Hispanic	2,660	4,740	+ 2,080	+ 78
Other	2,770	4,970	+ 2,200	+ 80
Economically disadvantaged	1,990	4,240	+ 2,240	+113
Not economically disadvantaged	3,960	5,980	+ 2,020	+ 51
During 12 months before entry				
Employed 90% or more	6,860	6,710	- 150	- 2
Unemployed 50% or more	1,640	4,300	+ 2,600	+162
Not in labor force 50% or more	670	4,300	+ 3,630	+540
Other	5,160	6,000	+ 840	+ 16
All	2,820	5,000	+ 2,180	+ 77

Source: Westat, Inc., Continuous Longitudinal Manpower Survey, Follow-Up Report No. 2 (Washington, D.C.: U.S. Department of Labor, March 1979), appendix D, table 69.

a/Dollar difference does not always equal the difference between the averages for the comparison quarters because each was calculated before the comparison quarter averages were rounded.

stance, women's gain was $1,690, a 97 percent increase, while men's gain was $2,500, a 70 percent increase. The percentage change favored the women, but the absolute change in earnings favored the men, by $810. Moreover, when postprogram experiences of males and females were compared after CETA, the difference in average annualized earnings favored the men by more than $2,500. Thus, we see that it is necessary to consider both postprogram earnings levels and pre-post changes to understand the circumstances of demographic subgroups.

With respect to fourth quarter postprogram annualized earnings, groups that had annualized earnings higher than $5,000 consisted of males, people with at least a high school education, adults 22 to 44 years old, whites, and people not economically disadvantaged. Only people who were female, with education at the 9th to 11th grade level, and black had annualized earnings less than $4,000. In general, the same ordering of demographic subgroups was found for the average annualized earnings of

January-June 1975 24-month terminees in their first and second years after leaving CETA and for fiscal 1976 3-month terminees 1 to 3 months afterward.

An additional analysis was performed for subgroups with varying labor force attachment in the year before CETA participation. Fiscal 1976 12-month terminees were grouped into four categories--predominantly employed, predominantly unemployed, predominantly not in the labor force, and a residual category. The predominantly employed in the year before CETA had average annualized earnings of $6,860 and $6,710 in the fourth quarter before and the fourth quarter after CETA; this subgroup did not realize gains. The predominantly unemployed had average annualized earnings of $1,640 in the fourth quarter preceding CETA; they had gained $2,600 by the fourth quarter afterward. People not in the labor force also had large gains, at $3,630, because of their extremely low preprogram earnings, at $670. People in the residual subgroup gained only $840, a function of relatively high preprogram earnings. In summary, we can see that people who realized the largest gains had the poorest labor force attachment before CETA; they made up more than half of the fiscal 1976 terminee group. The predominantly employed, the subgroup not realizing gains, consisted of only 14 percent of the fiscal 1976 terminees, as we saw in table 4.

Data on the occupational areas of postprogram primary jobs for employed male and female January-June 1975 terminees are given in table 31. Comparable postprogram employment data were not available for fiscal 1976 terminees. Approximately 10 percent of both male and female terminees held jobs in the professional

Table 31

Employment Distribution of 24-Month CETA Terminees Who Participated in Adult Services in January-June 1975 by Primary Job and Gender a/

	Male	Female
Professional, technical, and kindred	9%	10%
Farm managers and laborers	2	--
Nonfarm		
Managers and administrators	6	5
Laborers	14	1
Sales	3	2
Clerical and kindred	6	47
Crafts and kindred	22	2
Operatives	23	11
Service workers	16	22
Total	100%	100%
Estimated total terminees	146,200	73,000

Source: Westat, Inc., Continuous Longitudinal Manpower Survey, Follow-Up Report No. 3 (Washington, D.C.: U.S. Department of Labor, January 1981), p. 5-26.

a/Percentages may not add to 100 because of rounding.

or technical areas 24 months after CETA; some 16 percent of males and 22 percent of females held jobs as service workers. The largest differences between genders occurred in clerical, crafts, operative, and nonfarm laborer categories. Almost half of the women held clerical positions--traditionally low paying--as opposed to only 6 percent of the men. Some 45 percent of the men held jobs in crafts or as operatives, compared to only 13 percent of the women. Crafts and operative jobs normally have higher wages than secretarial jobs, and therefore the difference in earnings for men and women after CETA may be partially the result of the types of jobs they secured.

Exploring differences in occupational areas for other demographic subgroups is difficult because the large number of categories produce somewhat unstable estimates. There appear to have been greater percentages of people older than 45, non-high school graduates, and blacks in service occupations. More blacks than whites held clerical jobs. Fewer blacks than whites held professional, managerial, and crafts jobs.

SUMMARY

Our descriptions in this chapter are of the experiences of participants in the early years of CETA--January 1975 to June 1976. Changes in CETA's eligibility requirements and operation since 1976 somewhat reduce our ability to generalize from these descriptions for current participants in the program. Public service employment is most vulnerable in this regard because its eligibility requirements were tightened and limits were placed on wages and the nature of positions. Descriptive data on the three other service types should provide reasonable guidance on the program's current operation.

For the 1975 and 1976 participants, we know that they had a consistent pattern of declining earnings in the year preceding CETA--from approximately $3,000 in average annualized earnings in the fourth quarter preceding CETA to approximately $1,600 in the quarter immediately before entry. We also know that in the first quarter after CETA, their annualized earnings increased to about $3,800; for the 1975 participants, this continued to increase to the eighth quarter afterward to $5,800. Comparable patterns hold for percentage of time employed and percentage of people employed at selected times, indicating that the earnings increases are unlikely to be solely a function of inflation. In general, on earnings and employment variables immediately after CETA, participants were at a level matching or exceeding their status at the high point of their year before CETA and their circumstances continued to improve.

Receipt of some form of public benefit by participant households dropped from 38 percent in the year preceding CETA to 25 percent two years afterward. Receipt of payments from Unemployment Insurance to individuals dropped from 26 percent to 15 percent.

For employed January-June 1975 participants, the percentage in private sector jobs was 82 percent one year before CETA and 66 percent two years afterward. Employed fiscal 1976 participants had a greater proportion in the private sector after CETA than did the January-June 1975 group.

In considering the experiences of terminees from the four service types, we should view them within the context of the characteristics of people typically enrolled in these services. For example, enrollees in classroom training and work experience were relatively more disadvantaged than enrollees in on-the-job training and public service employment.

Participants in classroom training and work experience generally had poorer labor force experiences before CETA than participants in the two other services. They also had much poorer postprogram experiences. Classroom training and work experience terminees had $1,000 to $2,500 less in average annualized earnings and approximately 5 to 20 percent less in average percentage of time employed and people employed at selected times.

With respect to changes in average annualized earnings and percentage of time employed, on-the-job training participants had the largest gains, at $2,300 to $3,390 and 19 to 24 percent. Work experience participants had the smallest gains, at $730 to $1,360 and 6 to 9 percent. Classroom training and public service employment participants stood between the two.

The households of the classroom training and work experience participants were more likely to have received some form of public benefit, both before and after CETA, than other groups. The percentage of households receiving public benefits declined approximately 10 to 12 points by the second year after CETA for all service types. Receipt of Unemployment Insurance payments was highest for public service employment participants in the pre-CETA year--30 percent--and declined to 15 percent in the second year after the program.

Employed terminees from classroom and on-the-job training were more likely to have found jobs in the private sector after CETA than employed terminees from work experience and public service employment.

In sum, the Continuous Longitudinal Manpower Survey provides us with a rich data base for describing the experiences of early CETA participants before and after their participation. These data cannot be used to address the issue of program effectiveness, but they are suggestive in several important ways. On the positive side, the pre-post patterns for earnings, wages, employment, and receipt of public benefits are consistent with the goals of CETA to increase earnings and self-sufficiency. The fact that gains achieved immediately after program exit did not deteriorate one to two years later and instead showed further improvement is

also encouraging. On the negative side, the shift in location of employment from the private to the public sector before and after CETA, particularly for participants in work experience and public service employment, points up the importance of developing linkages between publicly funded employment and training and business and industry.

CHAPTER 6

ADULT-ORIENTED CETA SERVICES--THEIR EFFECTIVENESS AS MEASURED BY PARTICIPANTS' EARNINGS

In chapters 4 and 5, we provided descriptive information on the experiences of participants before, during, and after participating in adult-oriented CETA services. Here, we summarize information on the effectiveness of these services with respect to increasing the participants' earnings. In other words, we seek to address the question of absolute effectiveness--of whether benefits would have been realized without the program--and also the question of the relative effectiveness of service types. We rely largely on analyses conducted by Westat on the Continuous Longitudinal Manpower Survey fiscal year 1976 sample of 6,286 12-month terminees for the first year after program termination. In these analyses, Westat drew a match group of 5,249 from the March 1976 Labor Force Survey of the Current Population Survey for use as the comparison base. Westat based estimates of CETA's effects on 1977 earnings on differences in earnings covered by Social Security between the sample and the matched group, after adjusting statistically for a variety of background factors. (Westat, 1981a) 1/

We offer a number of caveats concerning these estimates. For one, some jobs in the public sector are not covered by the Social Security system. Therefore, some individuals moving into public sector jobs not covered by Social Security appear to be zero earners in this analysis. For another, the comparison group may have been contaminated analytically in that it may have included some people with CETA experience, although this problem is greatest for younger age groups and minorities.

Despite such warnings, these estimates constitute the best information available at this time. The matching procedures were thorough, and the analyses used estimations of some twelve different models for gender, race, and preprogram earnings subgroups. While it is desirable that other researchers apply competing analytic techniques to these data sets to assess the sensitivity of the estimates to different analytic approaches, Westat's approach appears to have been conservative and consistent with sound practice. In reporting the results of Westat's impact analysis, we concentrate almost exclusively on the estimates of impact that are statistically significant, leaving it to the reader to judge the practical significance of individual findings. As with any complex analysis, until these estimates are confirmed for these

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1/Appendix I gives a more detailed description of Westat's matching and analysis procedures. Inflation is not a factor in Westat's net impact estimates since a comparison group for a comparable period was used in the analysis.

or other years of data, it makes sense to concentrate on the general pattern of the results rather than on specific dollar values for service types or subgroups of participants.

EARNINGS OVERALL AND BY SERVICE TYPE

For participants in classroom training, on-the-job training, work experience, public service employment, and multiple services (generally some combination of work experience and training) the overall impact of CETA on 1977 earnings was estimated at $300. This amounts to a 7 percent increase over the 1977 earnings of the comparison group. Estimates for the service types differed markedly.

Earnings increased most for participants in on-the-job training, with an increase of $850. Classroom training and multiple services followed, each with $350. Public service employment was next, at $250. Work experience was negative but not statistically significant, at -$150. See table 32.

As we discussed in chapter 5, employed terminees from public service employment and work experience services were the most likely to be employed in the public sector. Because some public sector jobs are not covered by Social Security, the source of the earnings information for this report, it is difficult to estimate the earnings effects of public service employment and, to a somewhat lesser extent, of work experience. Net impacts for them are, thus, likely to be understated. Westat's attempts to adjust 1977 overall and public service employment estimates for this factor yielded a net impact estimate of $400 overall and $350 to $750 for public service employment.

Table 32

Estimated Net Impact of CETA on 1977 and 1978 Earnings of Participants in Fiscal Year 1976 Adult Services by Service Type a/

	CT	OJT	WE	PSE	Multiple	Overall
1977	+$350*	+$850*	-$150	+$250**	+$350***	+$300*
	(10)	(18)	(-5)	(6)	(10)	(7)
1978 b/	+$450	+$550	-$200	+$350	+$150	--

Source: Westat, Inc., Continuous Longitudinal Manpower Survey: Net Impact Report No. 1 (Washington, D.C.: U.S. Department of Labor, March 1981), p. 3-27, and R. Taggart, A Fisherman's Guide: An Assessment of Training and Remediation Strategies (Kalamazoo, Mich.: W. E. Upjohn Institute for Employment Research, 1981), p. 57.

a/Rounded to nearest $50.00 and not adjusted for noncoverage of Social Security. Numbers in parentheses are percentages of comparison group averages.
b/Significance levels not available.

*Significant at the 0.01 level.
**Significant at the 0.05 level.
***Significant at the 0.10 level.

Preliminary analyses of 1978 earnings data indicate that earnings gains for participants in on-the-job training and multiple services, contrasted with the record for comparison group members, decreased somewhat in the second year after CETA while the gains of participants in classroom training and public service employment increased slightly. The effect for work experience participants was, again, negative. (Taggart, 1981)

EARNINGS FOR SELECTED DEMOGRAPHIC SUBGROUPS

The effects of CETA varied considerably according to participant characteristics and the type of service they engaged in. Overall, both white and minority women realized statistically significant earnings gains ranging from $500 to $600. Earnings gains for men at $200 were small and not statistically significant. See table 33.

When considered by service type, the picture is more complex. Females profited from classroom and on-the-job training and public service employment, with large gains relative to comparison groups of $1,200 for minority women in on-the-job training and $950 for white women in public service employment. Additionally, minority women in multiple services realized a gain of $1,400. They were the only group to show a statistically significant gain from participation in multiple services. Meanwhile, white men profited from classroom and on-the-job training. Their largest gain was in on-the-job training, at $750; in classroom training, their gain was $400. Minority men realized statistically significant gains only in on-the-job training, but the net impact was large, at $1,150.

Impact estimates derived separately for subgroups with varying earnings histories reveal that people with the lowest earnings before CETA gained the most from participation. When the CETA sample and match group files were divided into preprogram earnings subgroups, the following comparison categories were constructed. People whose Social Security earnings in both 1973 and 1974 were less than $2,000 and who during interviews reported earnings of less than $4,000 in the preceding year were categorized as "lower earners." ("Preceding year" for the sample was the 12 months preceding CETA enrollment, while for the match group it was the calendar year 1975. The interview criterion of $4,000 was set in order to remove from the low earner category people who were not covered by Social Security.) People whose Social Security earnings in both 1973 and 1974 were $4,000 or more were categorized as "higher earners." People who did not fit into either of these categories were termed "intermediate and mixed earners." Table 34 presents estimates of net impacts for these three groups by type of service.

Low earners demonstrated statistically significant gains relative to their comparison group overall and for every service

Table 33

Estimated Net Impact of CETA on 1977 Earnings of Participants in Fiscal Year 1976 Adult Services by Gender, Race, and Service Type a/

	CT	OJT	WE	PSE	Multiple	Overall
Male						
White	+$400*** (7)	+$ 750* (14)	-$450*** (-8)	+$100 (2)	+$ 150 (3)	+$200 (4)
Minority	+ 200 (5)	1,150* (29)	0 (0)	- 50 (-1)	- 300 (-8)	+ 200 (5)
Female						
White	+ 550* (21)	+ 550** (20)	+ 50 (1)	+ 950* (35)	+ 450 (17)	+ 500* (19)
Minority	+ 500* (20)	+ 1,200* (50)	+ 300 (12)	+ 650* (27)	+ 1,400* (57)	+ 600* (25)

Source: Westat, Inc., Continuous Longitudinal Manpower Survey: Net Impact Report No. 1 (Washington, D.C.: U.S. Department of Labor, March 1981), p. 3-27.

a/Rounded to nearest $50.00 and not adjusted for SSA noncoverage. Percentages are percent of comparison group averages. There are separate comparison groups for each category of gender and race but not service types. The base for percentages by service type is the weighted CPS average for the gender/race comparison subgroup. Minority includes Hispanic.

*Significant at the 0.01 level.
**Significant at the 0.05 level.
***Significant at the 0.10 level

Table 34

Estimated Net Impact of CETA on 1977 Earnings of Participants in Fiscal Year 1976 Adult Services by Preprogram Earnings Level and Service Type a/

Preprogram earners b/	CT	OJT	WE	PSE	Multiple	Overall
Lower	+$600*	+$1,300*	$ 0	+$900*	+$550**	+$550*
Intermediate and mixed	0	+ 450*	- 200	0	+ 250	+ 50
Higher	+ 250	+ 300	- 800***	- 250	+ 100	- 50

Source: Westat, Inc., Continuous Longitudinal Manpower Survey: Net Impact Report No. 1 (Washington, D.C.: U.S. Department or Labor, March 1981), p. 3-29.

a/Rounded to nearest $50.00 and not adjusted for SSA noncoverage.
b/Lower earners had less than $2,000 in Social Security reported earnings in both 1973 and 1974 and in interviews reported less than $4,000 in the year before program entry. Higher earners had $4,000 or more in Social Security reported earnings in both 1973 and 1974. Intermediate and mixed earners did not meet either set of criteria for lower or higher earners.

*Significant at the 0.01 level.
**Significant at the 0.05 level.
***Significant at the 0.10 level.

type but work experience. Intermediate and mixed earners realized statistically significant gains only for on-the-job training. High earners actually appeared to lose ground by participating in work experience. The high earners, the group with the most discouraging results, represented only 15 percent of the fiscal 1976 participant sample, however, while the group with the best results, the low earners, constituted some 50 percent of the sample.

Estimates of net impacts by age were not particularly enlightening. People 17 years and older had large and statistically significant gains in on-the-job training--more than $700. In the other service types, such gains were few and widely scattered. People aged 30 to 44 had a $1,000 gain from classroom training, however, and people 19-21, 26-29, and 45 and older realized statistically significant gains from participating in public service employment. People who realized gains from multiple services were aged 22-25 or were older than 45. The scattering of statistically significant gains, the small number of cases in some age and service groups, and the confusing pattern of different results for adjacent age groups makes these estimates somewhat suspect.

One additional analysis warrants attention. As expected, longer lengths of stay in classroom and on-the-job training and in public service employment were associated with larger net impacts. The most dramatic of these effects was found for classroom training, in which the net impact for 11 to 20 weeks was $300 but jumped to $1,600 for a stay longer than 40 weeks. For on-the-job training this relationship held only up to 40 weeks, but trends were also evident overall and for multiple services. This relationship is suggestive but probably reflects some degree of selection bias. "Length of stay" is likely to be influenced by factors not necessarily captured in this analysis, such as individual motivation, occupational area of training, and attitudes of the service deliverer. Therefore, modifying CETA to encourage longer stays may not yield improvements in net earnings gains commensurate with these estimates.

CHANGES IN EARNINGS

The analyses we have described reduced program impacts to a single number for each subgroup--that is, to an estimated net impact on earnings. Only through such an approach could adjustments be attempted for the nonequivalences that remained between the sample and the comparison groups. This approach tells us little about the distribution of earnings changes within the groups, however. Perhaps CETA is effective only for a small proportion of participants but accomplishes a lot for those few. Some proportion of CETA participants could have achieved large earnings gains relative to a comparison group even in the absence of a significant aggregate net impact.

To investigate this possibility, we studied distributions of gross earnings changes based on 1974 and 1977 Social Security

earnings records for both the CLMS sample and the comparison groups from Current Population Survey (CPS). To avoid the pre-program dip in earnings characteristic of CETA participants, we used 1974 as the base year. These earnings change distributions must be interpreted with caution. They are intended to complement the net impact estimates, not to compete with them. The contrasts of earnings changes for the sample and the comparison groups rely solely on the matching procedures to equate the groups. We made no attempt to adjust for remaining differences in background factors, nor have earnings changes been adjusted for inflation.

In the figures that follow, we present distributions only for the entire CETA group and for subgroups that had closely matched CPS comparison groups--that is, race and gender subgroups and preprogram earnings subgroups. We used weighted cases for the CPS distributions according to the same procedures followed in the net impact analyses. Figure 5 shows distributions of gross changes in earnings for the entire CLMS sample and the matched CPS comparison group. The two distributions are almost identical. Only a slightly higher proportion of CETA participants (24.5 percent) gained $4,000 or more over the three-year period than the comparison group (21.3 percent).

Distributions of gross earnings changes for minority and white males and females are presented in figures 6 through 9. They show that there was little difference between the distributions of CETA minority and white males and their comparison

Figure 5
Gross Changes in Social Security Earnings of CETA Participants and CPS Comparison Group 1974-77

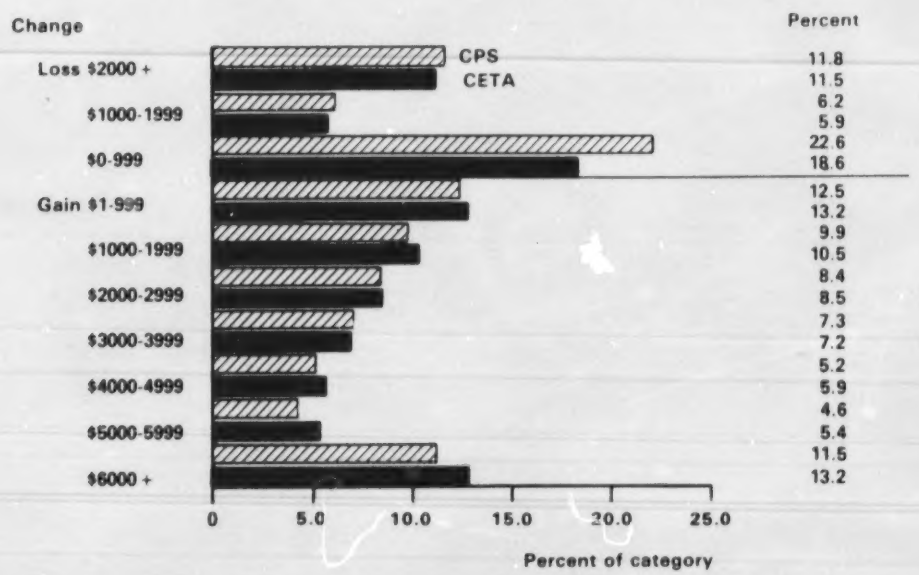


Figure 6
Gross Changes in Social Security Earnings of Minority Males in CETA and CPS Comparison Group 1974-77

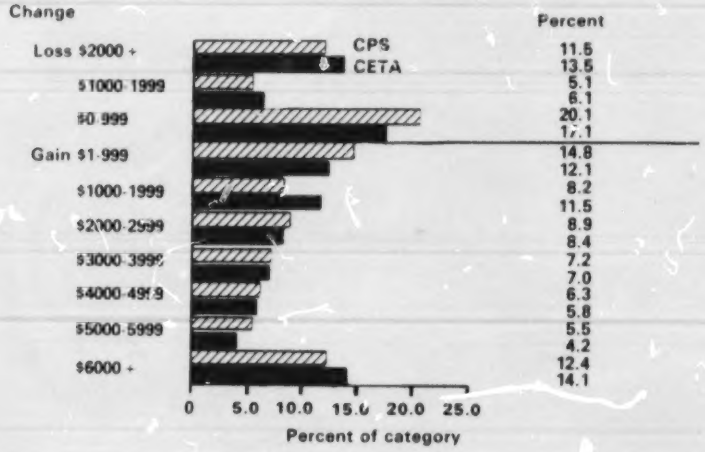


Figure 7
Gross Changes in Social Security Earnings of White Males in CETA and CPS Comparison Group 1974-77

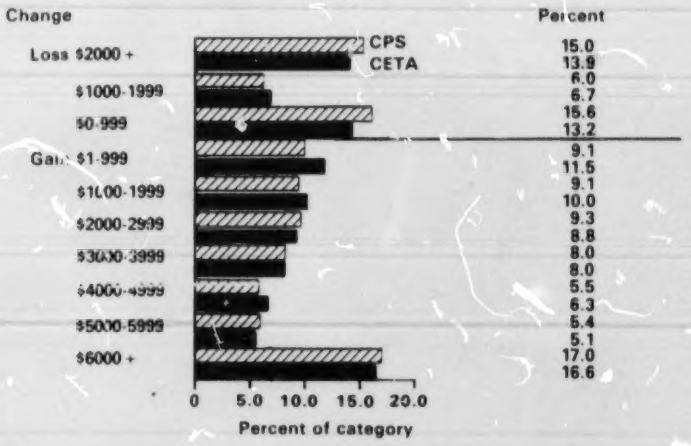


Figure 8
Gross Changes in Social Security Earnings of Minority Females in CETA and CPS Comparison Group 1974-77

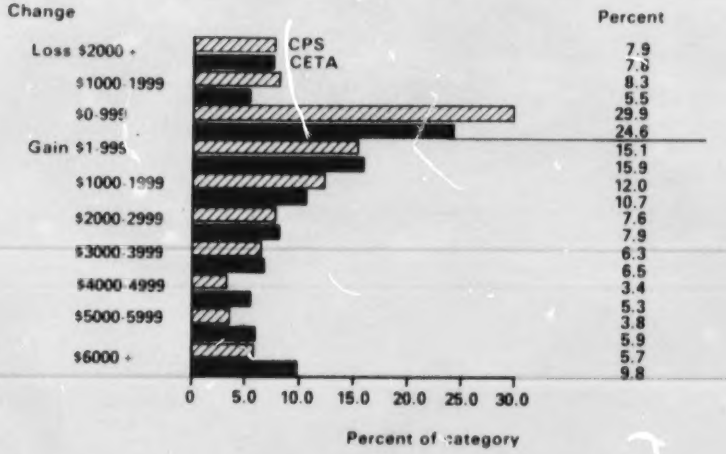


Figure 9
Gross Changes in Social Security Earnings of White Females in CETA and CPS Comparison Group 1974-77

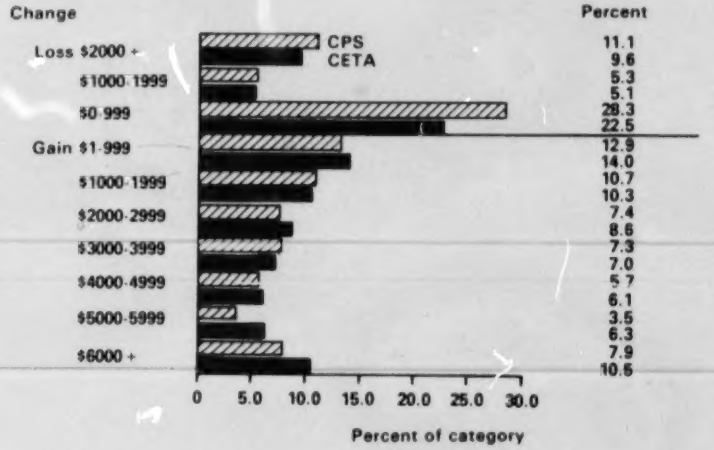


Figure 10

Gross Changes in Social Security Earnings of Low Earners in CETA Preprogram Earnings Group and CPS Comparison Group 1974-77

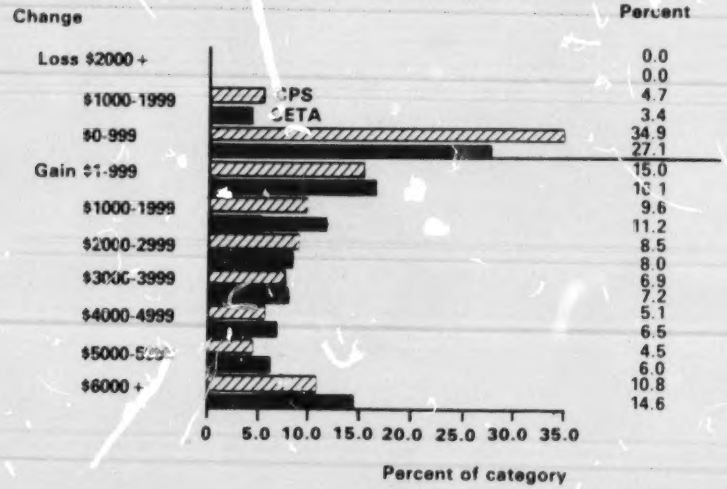


Figure 11

Gross Changes in Social Security Earnings of Intermediate or Mixed Earners in CETA Preprogram Earnings Group and CPS Comparison Group 1974-77

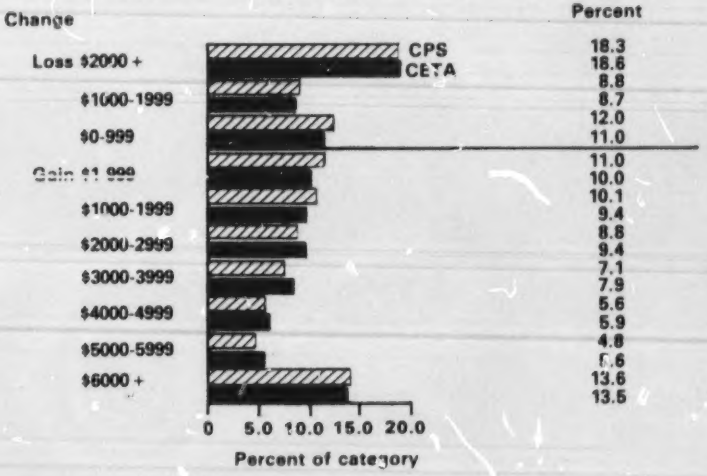
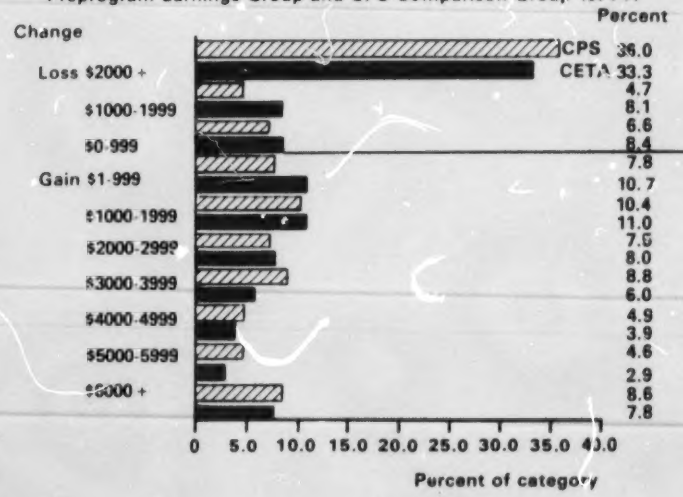


Figure 12

Gross Changes in Social Security Earnings of High Earners in CETA Preprogram Earnings Group and CPS Comparison Group 1974-77



groups (figures 6 and 7) but that both minority and white females in CETA had earnings change distributions slightly more skewed to the gain side than their comparison groups (figures 8 and 9). For white females, almost 6 percent more of the CETA participants than their CPS comparison group had gains equal to or greater than $4,000. For minority females, the difference was 8 percent in favor of the CETA participants.

Figures 10, 11, and 12 present gross earnings change distributions for CETA and CPS low earners, intermediate and mixed earners, and high earners. Only the CETA low earner subgroup had a substantially higher percentage of individuals at the gain end of the distribution than its comparison group. Of the CETA low earner subgroup, 27 percent had earnings gains of $4,000 or more, compared to the 20 percent of the CPS group.

The differences in gross earnings change distributions for females and low earners as against their comparison groups are consistent with the net impact estimates for these groups. The net impact estimates for minority females, white females, and low earners are statistically significant but rather small--only $500 to $600. The differences in the proportions of these groups and their comparison groups experiencing earnings gains of $4,000 or more suggest that while CETA's effect may be small when assessed for all participants, some participants may nonetheless have realized substantial benefits.

Countering this positive note, however, is the fact that some 36 percent of the CETA participants had no gains or had lower earnings in 1977 than in 1974, a decline that would have been even greater had 1977 earnings been adjusted for inflation. (Note that the seeming decline may result, in part, from some of these people having moved into jobs not covered by Social Security and with incomes therefore unreported in the current study.) An even larger percentage--41 percent--of the comparison group also experienced either a decline in earnings or no gains. The percentage of CETA participants who lost earnings over three years is not encouraging for a program that was intended to foster increased earnings and self-sufficiency, but it must be viewed in the context of the even larger percentage of comparison group members who did likewise.

SUMMARY

Program participation in fiscal year 1976 raised postprogram 1977 earnings by an estimated $300 to $400 over what they would have been otherwise--a 7 percent increase over the earnings of the comparison group. Only a small proportion of CETA participants' 1977 earnings can be attributed to the program.

On-the-job training had by far the largest impact ($850) on 1977 earnings; this was followed by classroom training and multiple services (both $350) and by public service employment $250, or from $350 to $750 if adjusted for Social Security noncoverage.

No significant positive effect was found for work experience. Preliminary analyses of 1978 earnings indicate some reduction in gains for on-the-job training and multiple services during the second postprogram year with small increases for classroom training and public service employment.

Statistically significant gains were experienced by women, both minority and white, and by other people who had had poor pre-CETA earnings. Women participating in CETA gained approximately $500 to $600 more than their comparison groups. Men gained $200, not statistically significant. People with poor pre-CETA earnings histories--50 percent of the fiscal 1976 participants--gained some $550 more than their comparison group counterparts. Individuals with mixed or higher earnings patterns before CETA generally did not realize statistically significant gains in earnings.

Distributions of earnings changes from 1974 to 1977 show a higher frequency of gains over $4,000 for the same groups indicated in the net impact analyses--white and minority women and people with the poorest pre-CETA earnings histories. These distributions suggest that while the aggregate data on CETA's impact show only a small impact on earnings, some percentage of those groups may have realized substantial gains. In interpreting these results, we must remember that the best estimates we have of CETA's effects are based on a single analysis approach and a single criterion--earnings. The degree to which these estimates are sensitive to the kinds of analytic methods that were used is unclear. Additionally, we do not have information on CETA's effects with respect to the other kinds of evaluation criteria we discussed in chapter 3. For these reasons, attention should be focused not on specific dollar values but on the general pattern of results from this analysis.

CHAPTER 7

THE PRIVATE SECTOR INITIATIVE PROGRAM--

CETA TITLE VII

The Private Sector Initiative Program (PSIP) was announced in 1978 by President Carter in his State of the Union message to the Congress. He described it as a $400 million effort to mobilize the private sector to assist in training and hiring the "hard core" unemployed. In this chapter, we describe what is known so far about PSIP's operation and outcomes.

When PSIP was established, several justifications were offered for it. First, it was argued that since 80 percent of all new jobs are in the private sector, business and industry should participate in Federal employment and training programs. Second, critics of the rapid growth of public service employment programs urged that CETA be refocused to emphasize private sector jobs. Third, PSIP was called an institution-building mechanism, one that would provide intermediaries between the private and the public sectors.

The Comprehensive Employment and Training Act Amendments of 1978 (Pub. L. No. 95-524) state two purposes for PSIP. It is to demonstrate the effectiveness of a variety of ways of increasing the involvement of the business community in CETA activities and of increasing private sector employment opportunities for people who are unemployed or underemployed and also economically disadvantaged. The organizational vehicle for title VII activities is made up of Private Industry Councils. They are the intermediaries between the two sectors.

A majority of the members of the Private Industry Councils must be representatives of local business and industry. Additional representation is required from labor, education agencies, and community-based organizations. The Councils may operate in conjunction with a single prime sponsor or may assume title VII responsibilities for several prime sponsors. They are to design the private sector portion of the prime sponsors' annual plans and coordinate with other Federal programs, such as those of the Economic Development Administration, and they can administer and operate their own employment and training programs directly or by contract. Their funding is channeled through prime sponsors.

PSIP can provide on-the-job training, classroom training, apprenticeship programs, job readiness classes, upgrading, and small-business intern programs. Participants in direct employment and training activities under PSIP are subject to the same eligibility requirements as hold for Comprehensive Services title IIB-C. PSIP can also provide support in the form of information (for instance, publicity about the Targeted Jobs Tax Credit program), labor market forecasts, assistance to employers trying to reduce administrative burdens, model contract develop-

ment, followup studies of program participants, and coordination with other programs.

PSIP began by administrative directive in May 1978. Each of 34 pilot sites received $25,000 to set up Private Industry Councils and provide them with support staff. PSIP was mandated under title VII of CETA's 1978 reauthorization, but because CETA was held under a continuing resolution, PSIP's startup was delayed. Each prime sponsor received a $25,000 allocation for planning in December 1978, but the final regulations were not published until April 1979 and further allocations for title VII did not become available until the following June. Prime sponsors were then told to establish Councils by the end of 1979 and, indeed, in June 1979 DOL announced that 164 Councils had already been established. By August 1979, the number had grown to 310, and by February 1980 there were 447.

The two major issues in assessing PSIP are whether the Councils are doing anything different from what prime sponsors have done in the past and whether they are an effective mechanism for moving economically disadvantaged people into unsubsidized private sector jobs. Since its existence has been so brief, it is still too early to measure with any certainty how effective PSIP is. Its first year was largely a time of institution building. The limited information available about the program is largely in the form of case studies and prime sponsor reports to DOL. Title VII activities have recently been included in the Continuous Longitudinal Manpower Survey, but detailed information on participant characteristics is unlikely to be available in time for the debate on new or revised employment and training legislation.

There are two sets of case studies on PSIP, one by the Mershon Center of Ohio State University (funded by DOL), and one by the Corporation for Public/Private Ventures (CP/PV), and both used field observers periodically to interview local CETA and Council personnel. The studies conducted by the Mershon Center cover 25 prime sponsors across the country but may overemphasize the progress of the Councils because they include a disproportionate number of the original pilot sites. (Ohio State University, 1979a,b, 1980a,b, 1981a,b) The CP/PV set of studies covers 12 (later 17) prime sponsors but is biased toward urban areas and the Northeast. (Making the Connections, 1980)

According to the Mershon reports, in May 1979 little attention had been given to developing specific program activities but 14 of 25 sites had formed Councils. Half of the Councils were judged to have a high degree of autonomy, but tensions between Councils and prime sponsors were reported at a few sites. By June 1980, Councils had been formed at all sites. Four of every five had at least one operational program, at least two-thirds of which consisted of skills training or on-the-job training or some combination of the two. At the end of 1980, operations had begun in all but one site, yet observers judged

fewer than half of the Councils as having made significant progress beyond institution building.

The CP/PV reports emphasize the evolving nature of the Councils, noting that they have yet to establish themselves as independent entities in the employment and training network. CP/PV found the programs to be an extension of past CETA practices rather than exemplars of any new program concept. Activities that generate employment (primarily marketing) represented only 10 percent of title VII expenditures, even though up to 30 percent could be so used. Fewer than half of the Councils were involved in economic development activities.

Other observers of PSIP estimate that at the end of 1980 only 10 percent of the Councils nationwide were actively involved in directing employment and training efforts in their communities. Only about 5 percent were estimated to have extended their involvement beyond title VII activities. One pair of observers put it in perspective this way: "The typical . . . [Private Industry Council] member appeared to be a manager of a firm's local plant, or the owner of a small business such as an automobile dealership; few are corporate presidents or chief executive officers of major local firms." (Levitan and Belous, 1981, pp. 16-17)

In table 35, we present percentages of fiscal 1980 participants in various services under PSIP title VII and Comprehensive Services title IIB-C. The table shows that enrollees in PSIP were much more likely than those in Comprehensive Services to be exposed to classroom occupational skills training or on-the-job training. These contrasts are somewhat limited in usefulness, however, since the reporting categories are finite and may camouflage any of PSIP's innovative approaches.

Table 35

Enrollees in Comprehensive Services and PSIP Titles in Fiscal Year 1980 by Service Type

	Comprehensive Services Title IIB-C	PSIP Title VII
Classroom training		
Occupational skills	34%	47%
Other	14	20
On-the-job training	13	29
Work experience		
In school	19	less than 1
Other	21	4
Public service employment, career employment experience, and transition services	less than 1	less than 1
Total participants	1,031,907	57,713

Source: Employment and Training Administration, CETA Program Status and Financial Summary--Fiscal Year 1980 (Washington, D.C.: U.S. Department of Labor, 1980), pp. 1931 and 3220.

The difference in the number of people served under the two titles should also be noted. In 1980, more than a million people participated in Comprehensive Services, while the corresponding total for PSIP is just under 58,000. Developing classroom and on-the-job training opportunities is understandably easier on a small scale than on a large one. Therefore, it is doubtful that PSIP could maintain its current mix of services, especially its emphasis on on-the-job training, if it were substantially expanded. There is also some risk that the Councils may be competing with prime sponsors for such private sector training opportunities in the future.

In general, the characteristics of the people served under all the CETA titles we have discussed in this report--PSIP, Comprehensive Services, and PSE--were more similar than different. This can be seen in table 36. The profiles of PSIP enrollees

Table 36

Characteristics at Entry of Enrollees in Comprehensive Services, PSE, and PSIP Titles in Fiscal Year 1980

	Comprehensive Services Title IIB-C	Public Service Employment		PSIP Title VII
		Counterstructural Title IID	Countercyclical Title VI	
Male	47%	50%	55%	57%
14-19 years old	35	13	12	20
20-44 " "	58	75	75	75
45 and older	6	13	13	5
School dropout	29	30	28	30
Student in high school or less	19	3	3	5
High school graduate	38	45	43	48
High school plus	13	22	26	17
Receiving public assistance	27	28	22	21
OMB poverty level or 70% LLSIL	95	90	80	94
Single parent	18	21	18	20
Parent in 2-parent family	15	22	25	19
Other family member	34	22	23	19
Not a dependent	33	35	35	42
Minority	50	50	49	51
Limited English	6	5	5	6
Handicapped	9	6	5	7
Offender	9	7	6	9
Displaced homemaker	4	4	3	4
Labor force status				
In school	17	2	2	4
Underemployed	3	1	1	3
Unemployed	73	87	90	83
Other labor status	6	11	7	10

Source: Employment and Training Administration, CETA Program Status and Financial Summary--Fiscal Year 1980 (Washington, D.C.: U.S. Department of Labor, 1980), pp. 4690, 6674, 7748, and 9270.

Table 37

Status of Terminees for Comprehensive Services, PSE, and PSIP Titles in Fiscal Year 1980

	Comprehensive Services Title IIB-C	Public Service Employment: Counterstructural Title IID	Public Service Employment: Countercyclical Title VI	PSIP Title VII
Positive a/				
Entered unsubsidized employment	37%	31%	30%	42%
Public	(11)	(19)	(19)	(8)
Private	(26)	(12)	(11)	(34)
Transfers	9	12	12	11
Other	22	8	8	13
Total positive	68	51	50	66
Nonpositive b/	32	49	50	34

Source: Employment and Training Administration, CETA Program Status and Financial Summary--Fiscal Year 1980 (Washington, D.C.: U.S. Department of Labor, 1980), pp. 1931, 2747, 3220, and 3750.

a/Unsubsidized employment was financed by funds other than provided under CETA. Transfers were to programs under another CETA annual plan subpart operated by the same prime sponsor. Other positive status participants continued or entered full time in elementary, secondary, or post-secondary academic or vocational school, entered an employment and training program not funded under CETA, entered a program funded by CETA but not operated by the same prime sponsor, or completed a program whose objectives did not involve entrance into unsubsidized employment.

b/Nonpositive status participants left the program for reasons other than those listed above, such as refusing suitable unsubsidized employment, being unsuccessful with job referrals, or reaching enrollment duration limits or public service employment earnings ceilings and terminating without being placed in unsubsidized employment or entering school or another program not funded by CETA.

were nevertheless closer to those of enrollees in title VI PSE than Comprehensive Services. Like title VI PSE enrollees, PSIP participants were more likely to be male (57 versus 47 percent), aged 22-44 (75 versus 58 percent), and high school graduates (65 versus 51 percent) than were Comprehensive Services enrollees. This may be partly because of the 19 percent student enrollment in Comprehensive Services. PSIP enrollees were less likely to be in households receiving public assistance benefits than Comprehensive Services enrollees (21 versus 27 percent). This provides some evidence that nationally PSIP is serving a less disadvantaged clientele than Comprehensive Services.

The only data available on PSIP outcomes are from prime sponsor reports on the status of participants at termination. Table 37 summarizes the fiscal 1980 reports. Both PSIP and the Comprehensive Services titles are seen to have had higher percentages of positive terminees (66 to 68 percent) and higher percentages of terminees entering unsubsidized employment (37 to 42 percent) than the Public Service Employment titles (approximately 50 percent positive terminations and 30 percent entering employment). In addition, the private sector placement rate was highest for PSIP, at 34 percent, followed by Comprehensive Services at 26 percent and PSE at 11 to 12 percent, indicating some superiority for PSIP in terms of its ability to move the disadvantaged into jobs in the private sector. It is unknown whether this superiority would persist if students could be removed from the Comprehen-

sive Services termination data or if the characteristics of participants were more closely matched.

To summarize what we know of PSIP title VII, we may say that throughout its first year of operation, fiscal 1980, it was largely institution building, forming Private Industry Councils, and hiring staff. Data on its operations are thus too recent for evaluating its effectiveness. The limited data from DOL and the case studies show that employment and training services administered by the Councils are roughly the same types of service administered by prime sponsors in the past and that they differ only in proportions.

Differences between the characteristics of PSIP, Comprehensive Services, and PSE participants suggest some "creaming" in operating the program in that PSIP enrollees are somewhat less disadvantaged than others. PSIP had a slightly higher percentage of terminees (42 percent) entering unsubsidized employment when they left CETA than did Comprehensive Services (37 percent), and 8 percent more PSIP terminees entered employment in the private sector. Although the termination data indicate a relative superiority of PSIP over the Comprehensive Services title, these data should be viewed in the context of the small size of PSIP, the student enrollment in the Comprehensive Services title, the less disadvantaged profile of PSIP participants, and the questionable value of termination data for assessing program effectiveness, as we discussed in chapter 3.

CHAPTER 8

MACROECONOMIC ISSUES AND FISCAL SUBSTITUTION UNDER PSE

We have discussed CETA's performance from the participant perspective. Here, we look at the program in broad context, discussing the macroeconomic issues associated with the evaluation of federally sponsored employment and training programs. The complexity of the U.S. economy and the lack of consensus among economists on the theoretical constructs to use in evaluation, however, militate against the development of precise estimates of the macroeconomic effects of subsidizing jobs and sponsoring training. Therefore, we simply outline the major issues and concentrate on the single issue of substitution and displacement in job creation programs. We concentrate on the issue of substitution and displacement because it is central to the initial economic effects of countercyclical employment programs such as those operated under CETA title VI, or PSE. It has been argued by some that local governments simply substitute Federal funds for local funds in their areas, thereby limiting the net addition to public payrolls.

MACROECONOMIC ISSUES

The different titles of CETA were designed to address different problems. Some programs--the training and work experience programs--were designed to improve the skills of the unemployed or underemployed so that they could better meet the demands of the labor market and ameliorate structural unemployment problems. Other CETA programs were designed to help solve recessionary unemployment problems by providing funds to pay wages and overhead in employing people thrown out of work by decreases in economic activity.

Regarding counterrecessionary stimulation, the debate usually centers on whether the Federal government should reduce taxes, accelerate spending, or increase funding for direct job creation. What emerges most often from such debate is a move to provide increased funding for some of each of the programs under consideration. This happened in the 1970's. The economic stimulus program included Anti-Recessionary Fiscal Assistance for State and local governments, the Local Public Works Act to provide State and local governments with funds to speed up or initiate new public construction and rehabilitation projects, and Public Service Employment money through title VI of CETA to provide State and local governments with funds for hiring people put out of work by economic slowdown.

With respect to structural unemployment, once a debate has been resolved on whether to provide money for training and re-

training programs, there being few other choices in addressing structural unemployment problems, discussion centers on what types of program to fund and which populations to target. Ideally, training programs assist the people who are most disadvantaged in obtaining positions in the labor market. That is, they should improve the match between labor demand and labor supply and, at the same time, minimize any possibly inflationary consequences of doing so. If these programs function ideally, they should be able to improve the trade-off between unemployment and the rate of change in wages. This effect, if present, is not captured in the econometric models, except possibly in the long run. (Ulman, 1976) Moreover, the appropriate data for assessing the effectiveness of training programs are at the individual participant level. That this is so seems evident from our discussion in the earlier chapters of this report.

Fiscalist and monetarist views

To create a context for discussing fiscal substitution, it is necessary to step back slightly from the specific case of CETA and take a look at some of the broad issues in economic policy from which programs like PSE arise. Although theoretical and policy differences between fiscalists and monetarists have been present for decades, the debate sharpened during the 1970's, which were a time of large and frequent changes in the prices of food, commodities, metals, and oil, among other things. "Stagflation" --rising unemployment coupled with rising inflation--was observed and defined. Economists were of divided opinion about both what caused stagflation and how to seek solutions to it. With respect to structural unemployment problems, there was less disagreement. Virtually the entire economics profession acknowledged the need to train people to meet the demands of the labor market.

Some economists, fiscal policy advocates, held that demand management, by spending government money, changing the tax laws, and making some minor adjustments in aggregate monetary supply, could be used as an appropriate means of "fine tuning" the economy to the desired level of unemployment and inflation. (Blinder and Solow, 1974) The central component of this model is the Phillips curve, which represents a relation between the rate of changes in wages (or, in some applications, prices) and the unemployment rate. Adherents of the model believe that this relation is basically inverse, so that as wages (and prices) go up the unemployment rate goes down, especially in the short run. (Tobin, 1980)

Critics of this model, primarily monetarists, asserted that the trade-off envisioned with the Phillips curve is largely an illusion with, at best, some short-run relevance. According to monetarists, the key to keeping the economy growing in real terms with appropriate levels of unemployment and inflation is predictable and stable growth in the money supply. (Friedman, 1971)

In simplified form, this disagreement between the two schools of thought can be summarized by saying that the monetarists argue that introducing Federal debt-financed programs into the economy, like those for employment and training, cannot be stimulative in the long run. This is so, they say, in distinction to the fiscal policy advocates, because when the Federal government enters the money market to borrow money to finance a program, it "crowds out" other borrowers--or raises the interest rate--and the net effect of the supposed stimulus is zero. That is, Federal spending displaces private spending dollar for dollar. This debate continues without resolution.

Using a model structured along fiscalist lines in 1975, the Congressional Budget Office set forth the first estimates of the expected employment effects of various fiscal measures--tax changes, tax cuts, increases in government spending, and so on. (For the CBO estimates, see Temporary easures, 1975.) These results were widely publicized. Shortly thereafter, new programs were implemented and extended, including the CETA Public Service Employment titles, with the general expectation that employment creation would actually be somewhat in line with the effects predicted by the model.

Public service employment, or direct job creation, was thus offered as a speedy method of achieving two fundamental goals--increasing employment levels among people who had been thrown out of work by recession and pushing disposable income into the economy to stimulate aggregate demand. Secondary objectives included decreasing dependence on welfare and other transfer programs for those out of work, increasing public services provided by those employed under the program, easing State and local tax burdens by increasing taxes (paid on the PSE wages), and decreasing State and local expenditures for meeting the needs of the newly unemployed. (Okun, 1976) In other words, the basic goals were countercyclical, intended to counter increases in unemployment that accompany slowdowns in the economy's growth rate.

Methods of estimating the effects of countercyclical programs

Once a countercyclical spending decision has been made by the Federal government, attempts are made to measure the employment and income effects. How many new jobs can be directly added to U.S. public payrolls depends primarily on the limits that are placed on how long specific wages can be paid for the positions and the degree of fiscal substitution at the State and local levels. Thus, we have essentially two ways in which we can gather information on the aggregate effects of programs like PSE. We can use econometric models to estimate effects over time or we can count and monitor the jobs and the people after a program has been implemented.

The major strength of econometric models is that they can provide estimates of effects quickly and cheaply if appropriate

data sets are available. This is so to the extent that the relationships underlying the models truly represent structural relationships within the economy. As we have pointed out, however, these changed dramatically over the last decade. A more basic criticism of econometric models is that they were built by fiscalists and, therefore, say the monetarists, they are accurate forecasters only to the extent that history can be counted on to guide future behavior.

One important strength of the monitoring approach is that it can provide a rich and timely picture of local budgetary response to PSE stimulation; it can also separate out from "real" substitution jobs that would have been dropped from local payrolls in the absence of Federal PSE funds. One important problem with the monitoring approach is that it relies heavily on the judgments of informed observers but has no ability to test the reliability of those judgments.

Additionally, measuring the efficacy of employment and training programs is complicated by their inflationary consequences. Ideally, such programs should lower the unemployment rate or increase the number of people who are employed without raising the rate of wage inflation. Economists sometimes refer to the rate of unemployment at which additional job stimulus would be inflationary as the "nonaccelerating inflation rate of unemployment"; it is currently estimated to be somewhere around 6 percent. Whether or not a program like PSE stimulates the labor market in a way that is inflationary depends to a great extent, however, on how stringently eligibility is determined for the program. (Baily and Tobin, 1978)

The criteria of efficiency, equity, and stability

Specific regulations for employment and training programs generally try to insure that the workers who are employed under them are workers who are not in short supply and who thus have not been contributing to inflation by pushing up wages (they are, in other words, on a relatively "flat" Phillips curve). Workers selected for jobs must be workers for whom supply and demand have little to do with economywide inflation. Subsidies must be given not to occupational categories for which workers are scarce--to computer systems analysts, for example--but to categories attracting more workers than current demand calls for--usually jobs requiring low skills. (Baily and Tobin, 1977)

Economists who advocate selective employment policies offer three arguments for their preference, summarized as the efficiency, equity, and stability arguments. The efficiency argument centers on the notion that selective employment is more effective than other fiscal tools to the extent that it generates larger changes in overall employment per dollar of expenditure. The equity argument generally states that even if selective employment does not provide more employment per dollar of expenditure,

its selectivity concentrates employment opportunities on the most disadvantaged groups within society and this is more equitable and therefore desirable. The various provisions of the CETA legislation and its regulations targeting jobs and training on the economically disadvantaged follow from this line of thought. Finally, the stability argument says that offering jobs to workers with lower skills who are in abundant supply is less inflationary (all else being equal) than offering jobs to highly skilled workers who are in short supply. (Temporary Measures, 1975; Solow, 1980)

Reviewing the evidence coming from current research on these arguments, Solow has concluded that the research does not really tell us very much. He offers three reasons why we do not have clear evidence on these points. (1) The programs are still too young and too small to enable us to analyze confidently their effects on the economy as a whole. (2) Our econometric models are not able to isolate the effects of the employment programs among the great many other major economic changes during the same time period. (3) We do not have consensus on the way modern labor markets work, especially in reference to the relation between high skill and low skill markets and the way wage rates respond to changes in supply and demand in the labor market. Solow offers the observation that his survey did not produce a lot of hard evidence: "What there is consists mostly of educated guesses." (Solow, 1980, p. 141)

Baily and Tobin researched the macroeconomic effects of public employment programs and wage subsidies, trying to estimate the success of job creation by means of aggregated and disaggregated labor market models. They concluded that "the hypotheses necessary for success of direct job creation, wage subsidies, and kindred policies are empirically supported, at least qualitatively," and, moreover, that

> a large share of the case for direct job creation . . . depends on important effects not captured in aggregate measures of employment and production: improved distribution of income and opportunity. (Baily and Tobin, 1977, p. 539, emphasis added)

On the narrower issue of the degree to which countercyclical employment programs are able to accomplish their main goal of providing funds for additions to the public employment rolls, we have a good deal more hard data.

ESTIMATING SUBSTITUTION AND DISPLACEMENT

Substitution and displacement defined

Federal grants to enable State and local governments to hire people who are temporarily unemployed during economic recession can help make work available to the unemployed and also lessen

expenditures within Unemployment Insurance and the welfare system and maintain the flow of income to the government. Grants like those under titles IID and VI of CETA to increase the number of public service jobs available within State and local jurisdictions allow prime sponsors to pay overhead, wages, and fringe benefits for the people selected for those jobs. Theoretically, dividing the amount of the grant by the average earnings allowed under the program's regulations yields a number equal to the net yearly addition to the public or nonprofit payroll. This number will reflect the actual net addition only if each job subsidized under the program is in fact a new position within the locality.

For the most part, therefore, public employment and training program regulations preclude States, cities, and nonprofit agencies from using the Federal grants to pay people who were on the payroll before the programs began. In other words, Federal money for employing people who are out of work because of economic recession is not to be used as a substitute for State or local money nor is it to be used to displace existing employees with new ones declared eligible for employment under the program.

Job displacement differs from fiscal substitution in that it refers to the number of subsidized employees added to the payroll who, in the absence of the grant, would have been employed anyway. It is a measure of employment substitution rather than fiscal substitution. Job displacement and fiscal substitution are equal only when the distribution of displaced hours and wages is the same as the distribution of hours and wages supported by the grant. It is, therefore, incorrect to assume that the displacement effect and the substitution effect are necessarily the same.

It is useful to understand how the displacement issue relates to the equity and efficiency criteria we mentioned earlier. If employers in a given locality were to displace their regular employees with new ones hired and paid under the public employment program grant and if these new employees were more disadvantaged than the regular employees, this would probably not be seen as efficient but it might be seen as equitable. People who had been disadvantaged competitors in the labor market would now have jobs. However, the more that regular employees were being displaced by using the program funds in this way, the fewer new jobs would be created, and previously existing jobs would simply be reshuffled from one type of worker to another. (Solow, 1980)

A more theoretical facet of the question, sometimes called the "vacuum effect," should also be kept in mind. It refers to instances in which the number of people who are involuntarily unemployed is significant. In these cases, the work that the program enrollees would have taken up if there were no program is taken up instead by others. The others were also unemployed when the jobs were made available under the program but did not get one. From a social perspective, one might conclude that whether or not we can predict what employment the program enrollees would

have had in the absence of the program is irrelevant because the "vacuum" will always be filled by someone in the labor market who is looking for work. (Jerrett and Barocci, 1979, p. 142)

Determining an appropriate rate

Ideally, from the perspective of Federal policy, to open up the largest number of jobs for the least amount of money requires that local budget substitution be close to zero. Recent research, however, has produced a series of estimates indicating that Federal funds are substituted for local funds at rates anywhere from as low as 10 to as high as 100 percent. The wide range stems from the variety of estimation methods and time variables. In general, the monitoring studies in the field yield the lower rates and the econometric analyses yield the higher. Some observers contend that achieving a zero rate is highly unlikely because the number of people employed under the various programs is so large, local fiscal problems generally have high correlations with the recession that triggered the program in the first place, and the regulations usually require program enrollees to be "productively" employed. (Kemper and Moss, 1978; Kesselman, 1978)

The regulations governing eligibility for participation in employment and training programs were altered throughout 1973-79 to make it more difficult for prime sponsors to use Federal funds to pay existing public workers--that is, to make it harder to substitute Federal money for local money. The most stringent requirements are the latest, in the CETA Amendments of 1978, which are summarized as follows:

> A person eligible to be employed under title VI should be:
> 1. an individual--
> (a) who has been unemployed for at least 10 out of the 12 weeks immediately prior to a determination and
> (b) who is unemployed at the time of the determination and
> 2. an individual--
> (a) whose family income does not exceed 100 percent of the lower living standard income level based on the three month period prior to application; or
> (b) who is, or whose family is, receiving AFDC or SSI.
> (Pub. L. No. 95-524, sec. 607)

Both the 1976 Act and the 1978 Amendments also specify that only a limited percentage of the Federal money can be spent on creating jobs related to ongoing State, county, or city services; the rest must be spent to create subsidized jobs in special projects of limited duration. Additionally, the pertinent legislation states that

> no individual shall be eligible to be employed in a public service employment position, if such individual has, within 6 months prior to the determination, voluntarily terminated, without good cause, his or her pre-

vious full-time employment at a wage rate not less than the Federal minimum wage . . . . (Pub. L. No. 95-524, sec. 122N)

Notwithstanding Federal attempts to reduce substitution and displacement, a number of arguments have been offered against viewing them as totally negative phenomena. For one, some think it is entirely possible that substituting Federal for State and local funds does not have an overall negative effect on the amount of income that is generated by public service employment programs. If the State and local funds that are thus freed are used to support activities that benefit the same or similar types of people as are targeted by the Federal program, for example, the effect is arguably positive. Similarly, if the purchasing power of the local government or the local residents were thus increased, increasing in turn the income (and thus employment) of supplying firms and retailers to the same or to a greater extent than the targeted funds would have, substitution would not necessarily be negative in terms of economic stimulation. Basically, this argument maintains that a "leakage" from the system is not the same as a loss and, although there is no empirical evidence for it, its logic has allowed it to maintain a position in policy debate. (Killingsworth, 1977)

Several other issues complicate the determination of appropriate rates of substitution and displacement. One turns on the question of timeliness. In some instances, the receipt of Federal funds might allow a city to clean up its river basin, for example, more rapidly than if the city had to pay workers to do this out of local revenue. Whether or not Federal funds thus facilitating a project that would have been done with local funds at some time in the future falls under the heading of substitution depends on one's viewpoint on time and efficacy.

Another issue turns on whether or not employment and training programs have a desirable effect on overall labor force employability and the rate of wage inflation regardless of substitution. One could argue that in the long run they do if regulations and local priorities for projects shift the demand for local labor more toward low-skilled disadvantaged workers, thus enhancing their employability. (Jerrett and Barocci, 1979) Finally, proponents of Federal fiscal aid for employment purposes might well argue that if most of the funds are used to hire people who need jobs, any substitution of funds will be beneficial in much the same way that general revenue sharing would be, unless the funds were used to retire debt or to build a surplus in State and local budgets.

The substitution and displacement issues around CETA are clearly complicated. In its most basic form, the main question is whether substitution and displacement occur and, if they do, to what extent do they and to what extent should they. Virtually all research on this question shows some degree of budget substitution; the debate is about how much. The complexity of mon-

itoring methods and econometric estimation techniques diminishes our ability to find a point estimate of substitution that would meet rigorous statistical and reliability standards. The wide variety of local budgetary systems, the question of the fungibility or interchangeability of dollars, tracking problems, and the impossibility of creating an experimental environment in which we can determine what would have happened to employment and the wage bill in the absence of a program all work against our finding a definitive answer. In the next section of this chapter, however, we summarize studies on the extent of substitution and displacement, suggesting that federally imposed regulatory changes in CETA titles IID and VI have lowered the rates. These problems thus appear to be at least partially amenable to solution by policy actions.

The results of monitoring and econometric analyses

Recent studies of substitution and displacement have improved substantially over the earlier work. Nathan's 1978 monitoring study for the Brookings Institution built fruitfully on the lessons in the National Planning Association's 1974 evaluation and considered as well some of the subtleties in the econometric literature. Moreover, the 1979 econometric study by Bassi and Fechter took careful account of previous criticisms of econometric specifications and structures that had been offered by analysts in both the governmental and the academic communities. The Bassi and Fechter study is additionally valuable because it summarizes the evidence from virtually all the previous substitution studies. In exhibit 5, we list in the order we discuss them

Exhibit 5

Estimates of the Degree of Substitution and Displacement Associated with PSE
(Keyed to List of References in Appendix II)

SOURCE	SAMPLE	METHOD	GRANT	SUBSTITUTION/DISPLACEMENT
National Planning Assn., 1974	12 local governments from "high impact" demonstration project; cross-section sample from 1971	Monitoring study, econometric	PEP	46% 1972 (jobs)
Nathan, 1981	40 recipient governments in 1977	Opinion survey, monitoring study	PSE	18% July 1977; 15% December 1977 (jobs)
Johnson and Tomola, 1977	Aggregate time series data 1966-75	Econometric	PSE	13% fiscal quarter 2; approximately 90-100% fiscal quarters 5-6 (jobs)
Gramlich, 1979	National Income Accounts time series 1954-77	Econometric	PSE	52% fiscal quarter 2; approximately 100% fiscal quarters 5-6 ($)
Bassi and Fechter, 1979	States, 150 cities, 100 counties; cross-section samples 1976 and 1977	Econometric	PSE	Approximately 50-60% 1976; 36% 1977 ($)

five studies on substitution and displacement and give brief indications of their data sources, methods, and findings.

In general, these studies on the PSE program show that it is impossible to pinpoint the exact rate of past or present fiscal substitution and displacement but that it is likely to have been at least 18 percent in PSE's first year and possibly as high as 100 percent after that. These studies also show that as the time increases between the initial grant and its evaluation, the likelihood that more PSE jobs will be substituted for regular State and city jobs also increases. Fiscal stimulus for countercyclical employment appears to work best during the first two quarters of program operation; substitution increases after that. And, finally, there is limited evidence from which to conclude that regulatory revisions lessened the problem of substitution and displacement. In the remainder of this chapter, we summarize these research findings in somewhat greater detail.

Monitoring studies

Although the National Planning Association study could be categorized as econometric because it used employment levels to estimate what would have happened in the absence of the program, its principal method was onsite monitoring for purposes of determining the rate of job displacement, not fiscal substitution, in twelve "high impact demonstration project" areas that had received unusually large grants under the Public Employment Program (PEP), the predecessor of CETA titles IID and VI. Twelve sites in the same State or area with smaller PEP grants served as a comparison base, although the "high impact demonstration project" areas had higher rates of unemployment than the "regular PEP grant" areas. Employment figures were available for all the sites for the period studied (October 1972). The rate of employment change was used to estimate what would have happened in the high-impact demonstration PEP sites had there been no program. The difference in employment levels between the demonstration sites and the comparison sites was offered as the estimate of net new job creation resulting from PEP funds. The NPA study concluded that after slightly less than one year only 54 percent of the jobs in the areas receiving grants were new--that is, they would not have existed without the program. This translates into a job displacement rate of 46 percent.

The study's method was widely criticized. Critics pointed out that the data for the "comparison sites" were contaminated by the presence in the employment figures of an unknown number of job holders who had been hired with PEP funds. Critics added that partially as a result of this the displacement rate had been miscalculated. They also found fault because no adjustment had been made in the study for the actual pattern and timing of the program's implementation. Perhaps the most telling indictment came from the NPA itself, which stated in its final report that

> the major problem throughout the study was the lack of appropriate control groups. There were no economic data (other than unemployment rates) for areas comparable to the demonstration sites. Also, there was no control group for the participants. These omissions make suspect most of the results presented in this report. (National Planning Assn., 1974, p. 9; see also Wiseman, 1976, p. 87)

In sum, even NPA's care in setting up comparable governmental units for comparison sites did not enable it to make definitive conclusions about public service employment.

The Brookings Institution thereafter launched an extensive monitoring study of PSE under Nathan's direction. The research associates he hired were residents of the areas they were studying and were therefore able to maintain contact with both CETA and local budgetary authorities for continuous periods. As a result, their observations of employment and budgetary data between July and December 1977 on an overall sample of 40 jurisdictions --representing 10 percent of all PSE enrollees--are quite specific. Their initial results indicated an 18 percent substitution rate in July 1977 or, conversely, that 82 percent of the Federal funds were used for new positions that could be called net additions to the number of available jobs. For the second wave of observations in December 1977, the substitution rate was slightly lower at 15 percent. (Nathan, 1981)

As all monitoring studies do, this one relied to a great extent on the judgment of the individuals in the field. Even with care, there can be no assurance, therefore, that Nathan's researchers were able to ask comparably placed public officials the same questions or that another set of researchers would have reached the same conclusions. Indeed, their figures should be taken as the lower bound of the substitution rate. A further caveat regarding this study's results is that they may have been influenced by the fact that the PSE program was in the process of some institutional changes caused by regulatory tightening at the time of the study.

Econometric studies

In 1977, Johnson and Tomola published a paper in which they estimated substitution rates from analysis of time series data on aggregate nonsubsidized employment in State and local jurisdictions. They concluded that the substitution rate was 13 percent or less in the first two fiscal quarters and about 100 percent in the fifth and sixth fiscal quarters.

A detailed criticism by Wiseman claimed that the results of the analysis by Johnson and Tomola were not stable when the model specifications were changed. Moreover, the standard errors around the estimates were very large, meaning that the real sub-

stitution rate could fall within a wide range. Other critics pointed out, for example, that

> although the paper suggests that net job creation after six quarters is essentially zero per 100 PSE slots funded, one can only be 95 percent sure that this figure is between 110 net jobs created and 114 net jobs lost. (Borus and Hammermesh, 1978, p. 118)

In 1979, Gramlich used a fiscal impact model with quarterly national income account data from 1954-77 to estimate the substitution effects of CETA PSE funds. His estimates showed that only 48 cents in each dollar were for new expenditure, with 50 cents going into surplus funds and 2 cents going into tax reduction by the end of the second fiscal quarter. By the fifth and sixth fiscal quarters, the substitution rate estimates were close to 100 percent.

Finally, after criticizing the previous studies extensively, Bassi and Fechter built a new econometric model, basing it on Gramlich's model and later updating it in their final report, published by the Department of Labor in 1979. They generated a number of alternative estimates, using cross-sectional data on States and samples of 150 cities and 100 counties and looking at wage bills. Referring to the changes in PSE regulations we mentioned earlier as tightening the eligibility requirements, the results of their study suggested

> a fiscal substitution rate of 36 percent in 1977 as compared to 50 to 60 percent in earlier years. These estimates, however, are not statistically different from one another. It is difficult, nonetheless, to ignore the difference in them. These estimates, in conjunction with Nathan's estimate of 18 percent substitution in 1977, indicate that substitution has been reduced under the revised program. The efficacy of PSE as a countercyclical tool, however, cannot adequately be determined on the basis of this limited evidence. (Bassi and Fechter, 1979, p. A-12)

Indeed, a reading of the regulations shows that it is probably very difficult for employers to adhere to the regulations and at the same time employ people outside the program who have already been on the payroll. Moreover, under the present PSE regulations, it appears difficult to hire anyone not truly in need of a job.

In summary, as Bassi and Fechter have noted, reviewing studies on substitution and displacement shows a wide range of estimates, the variation stemming from incomparabilities between studies in terms of their methods, timeframes, and units of analysis. The monitoring studies generally arrived at rates lower than the econometric analyses did. Looking at the timeframes of

the studies, we also find at least a suggestion that tightening the PSE regulations led to less substitution and displacement by 1977.

Should substitution and displacement associated with Federal employment and training programs like CETA be reduced to zero? Can they be reduced? In theory, as we have seen, the answer may be yes. In practice, the answer may be that reduction to zero is neither possible nor desirable. It should also be noted that, according to some views, even if fiscal substitution were reduced to zero, the net job creation might not be positive, since the debt-financed program could have crowded out private spending, resulting in the same number of jobs.

CHAPTER 9

SUMMARY AND INTERPRETATION

Throughout this report, we have summarized a variety of information sources on classroom training, on-the-job training, work experience, and public service employment as adult services provided under titles IIB, IID, and VI of the Comprehensive Employment and Training Act. Given all the relevant data, we asked five questions about these services. (1) Who were the enrollees? (2) What types of service and what benefits were provided them? (3) Who were the recipients of the various types of service? (4) What were the employment experiences of the enrollees both before and after participating in CETA? (5) How effective were the services? To the extent that data were available, we also asked the same questions about the new title VII, the Private Sector Initiative Program. In the first part of this final chapter, we give a brief overview of the answers to these questions. In the remainder of the chapter, we try to show how the answers to these questions are often intertwined. We set them in context by presenting eight points of interpretation for them, and we point to important gaps in our knowledge about adult CETA services.

WHO WERE CETA'S ENROLLEES?

Significant proportions of enrollees in the Comprehensive Services and Public Service Employment titles were disadvantaged economically and educationally when they entered the program and they had little past employment stability. Approximately one-third of those who enrolled in the four major adult services between fiscal year 1976 and fiscal year 1978 were unemployed at least 50 percent of the year preceding their enrollment, and another one-fourth to one-third were out of the labor force at least 50 percent of that year. From 70 to 80 percent of the fiscal 1975, 1977, and 1979 Comprehensive Services title IIB enrollees were at or below the OMB poverty level. In fiscal 1979, from 60 to 70 percent of PSE titles IID and VI enrollees were at or below the OMB poverty level; in earlier years, the economically disadvantaged constituted only half of all PSE enrollees. Slightly more than one-fourth of the fiscal 1979 enrollees were high school dropouts.

WHAT TYPES OF SERVICE AND WHAT BENEFITS WERE PROVIDED TO CETA ENROLLEES?

When we consider Comprehensive Services enrollees in the four service types, we find that over time the service mix shifted away from work experience and toward classroom training. Classroom training was given to one-fourth of the fiscal 1975 enrollees in the four services but to almost half of the fiscal 1980 enrollees. On-the-job training also increased under title IIB but only slightly--from 8 percent to 13 percent. Work experience was the major service in fiscal 1975 at 63 percent but de-

creased to 39 percent of the service mix in fiscal 1980. However, with the initiation and growth of the PSE titles, the overall adult service mix in CETA placed increased emphasis on various forms of subsidized work opportunities.

Occupational areas of employment and training services varied by service type. In fiscal year 1976, public service employment and work experience participants were concentrated in clerical, service, and laborer occupational areas. Classroom training participants were also concentrated in the clerical area, but both classroom training and on-the-job training put more emphasis on craft and operative occupations than did either public service employment or work experience.

On the average, early participants in work experience, on-the-job training, and public service employment realized substantial earnings improvements while they were in the program compared to their preprogram earnings. Classroom training participants often received training allowances, but the data are inadequate and do not allow us to assess their earnings improvements. More than 85 percent of the early participants in CETA adult services indicated that they were either satisfied or very satisfied with the program. Nearly half of them had received some form of ancillary employment and support services beyond skills training and subsidized work opportunities.

Placement rates at the time people terminated from CETA ranged between 28 and 45 percent for the Comprehensive Services title in fiscal 1975-80 and 31 to 42 percent for the PSE titles, according to data from DOL's prime sponsor reporting system. The Continuous Longitudinal Manpower Survey data on fiscal year 1976 enrollees, based on both prime sponsor records and interviews with terminees, indicated somewhat higher rates--39 percent for classroom training, 55 percent for work experience, 67 percent for public service employment, and 69 percent for on-the-job training. These data indicate that DOL national data on termination status may underestimate the percentage of people actually entering employment as they exit from CETA.

WHO WERE THE RECIPIENTS OF THE VARIOUS TYPES OF SERVICE?

With respect to the matching of people and services, classroom training and work experience had a higher percentage of female enrollees than on-the-job training and public service employment. Moreover, classroom training and work experience had more-disadvantaged participant profiles than on-the-job training. That is, enrollees were more likely to come from households below the OMB poverty level, with family incomes less than $6,000, with individual incomes less than $1,000, and from households receiving public benefits. In terms of their employment stability, they were more likely to have been unemployed over half of the

preceding year. In fiscal 1976, the public service employment participants, like those in on-the-job training, were relatively less disadvantaged than other participants, but by fiscal 1978 the profiles of public service employment participants had come to resemble more closely those of the classroom training and work experience participants.

WHAT WERE ENROLLEES' EMPLOYMENT EXPERIENCES BEFORE AND AFTER PARTICIPATING IN CETA?

Descriptive data on the experiences of early CETA participants before they enrolled and one to two years after they left indicate that their earnings and employment circumstances improved and that the percentage of participants in households receiving public benefits decreased. However, the proportion of employed people in private sector jobs as opposed to public sector jobs also decreased. These outcomes differed by service type and demographic subgroup.

Earnings and employment declined in a consistent pattern for CETA participants in the year preceding enrollment, but, on average, after leaving the program they immediately attained earnings and employment levels equal to and sometimes exceeding the high point of their pre-CETA year. They continued to show increases over the next two years. The proportion of participants in households receiving public benefits decreased from 38 percent in the year before CETA to 25 percent two years after CETA. The percentage of people receiving Unemployment Insurance payments also dropped, from 26 percent to 15 percent, over this period.

When they are considered by service type, classroom training and work experience participants had generally poorer earnings and employment circumstances than on-the-job training and public service employment participants, both before and after CETA. The households of people in classroom training and work experience were also more likely to have received some form of public benefit both before and after CETA than those of participants in the other service types. On average, early participants in all four service types demonstrated improvements in employment and earnings circumstances from before to after CETA, and their circumstances continued to improve over time. The largest gains in earnings and percentage of time employed were obtained by on-the-job training participants; work experience participants had the smallest gains. People in public service employment and classroom training stood between these two groups.

For January-June 1975 participants, employment location shifted somewhat toward the public sector before and after CETA. Of those employed one year before CETA, 82 percent had held jobs in the private sector, but only 66 percent of those employed held private sector jobs two years after CETA. Employed terminees from classroom training and on-the-job training were much more

likely to have found jobs in the private sector two years after leaving CETA (84 and 83 percent, respectively) than terminees from work experience and public service employment (65 and 52 percent, respectively). Participants in fiscal 1976 were more likely to be employed in private sector jobs after CETA than were 1975 participants.

When we consider demographic subgroups, we find that post-program average annualized earnings 10 to 12 months after CETA were greater than $5,000 for men, people with at least a high school education, people aged 22-44, whites, and the noneconomically disadvantaged at entry. Women, people with education at the 9th to 11th grade level, and blacks had less than $4,000 in average annualized earnings. These differences may be partly a function of differences in occupational areas of employment after CETA. For example, almost 50 percent of the employed women held clerical jobs. Only 6 percent of the employed men did. Of the men, 45 percent had jobs in crafts or as operatives. Only 13 percent of the women did. Greater percentages of people older than 45, people who had not graduated from high school, and blacks were employed after CETA in service jobs.

HOW EFFECTIVE WERE THE SERVICES?

The effectiveness of CETA adult services has been addressed so far only for fiscal 1976 participants and with a single criterion--participants' earnings. In a comparison of Continuous Longitudinal Manpower Survey samples of CETA participants with matched groups drawn from the Current Population Survey, estimating net impact of program participation on 1977 earnings covered by Social Security, it was found that in general only $300 to $400 of participants' 1977 earnings could be attributed to CETA. This constituted a 7 percent increase over the earnings of the matched comparison group. Results varied by service type and demographic subgroup.

Results examined by service type show that the largest estimated net gain, at $850, was for people who had on-the-job training. They were followed by classroom training and multiple services participants, at $350, and public service employment participants with a net gain of $250 ($350 to $750 if adjusted for Social Security noncoverage). No positive effect was evident for people who had been enrolled in work experience.

Results examined by race and gender subgroups show statistically significant gains from CETA for both white and minority women of between $500 and $600. Men's gains of $200 were not statistically significant. Also, people whose earnings were less than $2,000 in the two years 1973 and 1974 before CETA--50 percent of all participants--gained an estimated $550 from their experience in CETA, but others whose earnings had been intermediate and mixed or higher in general did not realize statistically significant gains in earnings.

Distributions of gross earnings changes from 1974 to 1977 for the same groups used in these net impact analyses show a higher frequency of individual gains--of more than $4,000 for white and minority women and people with the poorest earnings histories in CETA--than for their comparison groups. This suggests that even though the net impact in the aggregate may have been small, some proportion of these groups may have profited substantially from CETA.

THE PRIVATE SECTOR INITIATIVE PROGRAM

Our summary of what we know about the Private Sector Initiative Program (PSIP), title VII of CETA, is extremely brief. The program did not become fully operational until fiscal 1980, and available information allows us to address only three questions: Who were the enrollees? What types of service were provided them? What was their status at the time they left? No analysis of net effects is possible.

In fiscal 1980, PSIP served fewer than 58,000 people, in contrast to the more than one million served through the Comprehensive Services title. PSIP enrollees were roughly similar to enrollees in Comprehensive Services, except that PSIP served a larger proportion of men and high school graduates and smaller proportions of high school students and people in households receiving public benefits. PSIP appears to have delivered the same types of service as the Comprehensive Services title, with a heavier emphasis on classroom training and on-the-job training and less emphasis on work experience.

Five percent more PSIP terminees entered unsubsidized employment when they left CETA than terminees from the Comprehensive Services title, and 8 per cent more PSIP terminees entered employment in the private sector. Additionally, PSIP had 10 percent more terminees entering unsubsidized employment and 20 percent more terminees entering employment in the private sector than did the PSE titles.

CONCLUDING OBSERVATIONS

As we arrayed what we learned about CETA adult-oriented services, it became evident that the answers to our questions were often intertwined. Thus, interpreting correctly one piece of information frequently required attending to other information as well. Additionally, our search for answers to questions about enrollees, services, and effectiveness pointed up important gaps in what is known about CETA.

How can we interpret the data?

To understand the data on CETA adult services and the benefits participants derived from them, we have to place the findings in a broad context and examine their implications and limitations.

The following eight points should be kept in mind when interpreting information on CETA.

First, the most comprehensive information we have on adult services is also the least current. To the extent that conditions have changed since CETA's inception, our ability to generalize from the experiences of participants in CETA's early years to today's participants is reduced. Results for PSE are the most vulnerable in our attempts to generalize, since PSE has undergone the most dramatic changes with respect to enrollee characteristics and allowable activities.

Second, there is some evidence that changes in regulations had their intended effect in targeting CETA on the disadvantaged. Few differences were found over time in the characteristics of participants in the Comprehensive Services title, but profiles for PSE participants show them as becoming more disadvantaged in the later years of the program. The nature of PSE occupations also changed, probably because of requirements to create jobs in projects rather than in ongoing government services and because of eligibility, time, and wage restrictions. Studies of substitution and PSE vary widely in their estimates but indicate that regulatory changes may also have been successful in reducing the substitution of Federal PSE money for local money.

Third, interpreting outcome and effectiveness information on service types requires us to attend to the somewhat different objectives of the services and the heterogeneous needs of the unemployed. For one thing, the CETA intake process legitimately results in different participant profiles across service types, and for another the services themselves emphasize different occupational areas. Both these factors are likely to affect program outcomes, regardless of the "mode" of service delivery.

On-the-job training, as an example of the first factor, had the least-disadvantaged participant profile and the best outcomes; work experience had a relatively more-disadvantaged participant profile and poorer outcomes. When we make direct comparisons of postprogram outcomes across service types, therefore, we must account for these facts. Even in the net impact analysis, which adjusted for differences between enrollee groups by using matching and regression techniques, it is unknown whether the attempt to match and statistically adjust for nonequivalences between groups was successful.

The nature of the services received, the second factor, varies both in terms of whether opportunities exist for exposure to potential employers--that is, whether participants enter subsidized work opportunities or enter classroom training--and in terms of exposure to occupational areas. Evidence from the early years of CETA shows that the occupational areas of within-program training and employment differed by service type. Both classroom and on-the-job training put more emphasis on exposure to craft and operative occupations than the other services did. To the extent

that higher postprogram wages are associated with these occupations, it is not surprising to find better outcomes for these service types. In sum, differences in outcomes between service types may be a function of the characteristics of the enrollees and the nature of occupational exposure as much as or more than anything else.

Another consideration in comparing service types pertains to our lack of information on the association between prime sponsor service mix and local fiscal and labor market conditions. Overall, CETA's mix of adult services from 1975 to 1980 became increasingly oriented toward subsidized work opportunities, but within the Comprehensive Services title the mix of the four basic services shifted toward fostering educational and occupational skills. In the aggregate, prime sponsors have moved toward providing more intensive services aimed at developing human capital while still relying heavily on work experience, which constituted 39 percent of the service mix in the Comprehensive Services title in fiscal 1980. This continued reliance may reflect both the assessed needs of their enrollees and limitations in community resources that work against expanding classroom and on-the-job training opportunities.

The large variation that exists in service mix across prime sponsors may be partly a function of varying degrees of availability of resources or of fiscal pressures to use funds in other ways. For instance, a prime sponsor in a city experiencing financial stress and high unemployment may find it difficult to create on-the-job training opportunities but may find it easy to offer work experience. To the extent that service mix is associated with such local conditions, national comparisons that are intended to reveal something about the relative effectiveness of various types of service may additionally be comparing the characteristics of prime sponsors and their economic circumstances.

Additionally, in comparing service types, we need to remember that there is a substantial amount of overlap between service types as well as variation within service types. The services are designated by general operational characteristics, yet on-the-job training, work experience, and public service employment all provide, for example, some form of subsidized work opportunity. Comparisons across service types are, thus, sometimes comparisons of participants with similar within-program experiences. In fact, the experiences of two participants in different services may resemble each other more closely than the experiences of two participants within a single service type. Classroom training, in particular, manifests great variability because of its dual purpose of providing education and occupational training.

Fourth, placement rate data must be interpreted very cautiously. The conflicting results of validation studies on placement rates as predictors of long-term program effectiveness, and other ambiguities associated with their use even in the short

term, present a convincing argument against using placement rates in isolation as program performance indicators. A high placement rate can mean that a program is highly effective, that it is serving people who are relatively employable even without CETA, or that it is moving people into unstable, low-wage jobs. It could reflect a number of other things as well. One risk in using placement rates for judging the performance of individual prime sponsors is that the practice may discourage them from providing more intensive and long-term services or from serving the most needy. Therefore, although discrepancies between the DOL and CLMS data suggest that a greater number of people secure jobs soon after leaving CETA than has been reported by prime sponsors, placement rates remain doubtful indicators of program performance.

Fifth, the information presented in chapter 5 on participants' earnings, employment, and receipt of public benefits before and after CETA should be taken as descriptive only. It does not necessarily indicate program effectiveness. To what extent CETA participants' circumstances would have improved if there had been no program cannot be deduced from this type of information alone. For one thing, the deteriorating earnings and employment status of participants in their year before entering CETA is to some unknown degree a function of transitory or permanent factors or both. At entry, CETA participants were on average at a low point in their earnings and employment. This is precisely why many found CETA attractive. Looking back from that low point through the 12 months before, it is only reasonable to find that their circumstances were better at some earlier time. Only if we assume that whatever disrupted their employment pattern was permanent could we attribute any postprogram improvements to CETA.

These data on changes between preprogram and postprogram experiences are suggestive, however. There was a general pattern of improvement in earnings and employment immediately after CETA to levels above the high point of the pre-CETA year, and that this improvement continued over time without relapse is encouraging. The same holds for reductions in the numbers of participant households receiving public benefits after CETA, although these numbers are of lesser quality and the dollar amounts of reductions in transfer payments are not available.

As we look at the pre-post pattern, however, we need to remember that this is not a homogeneous group of participants. The data present aggregations across several groups. About one-third of the entrants had been unemployed during most of the year before entering CETA, another quarter to a third had not been in the labor force at all, and a small percentage had fairly stable employment that for some unknown reason had been disrupted, either temporarily or permanently.

Sixth, the net impact estimates of CETA on 1977 earnings are far from the final word on CETA's effectiveness. Though they are

the product of reasonable methods and state-of-the-art analysis techniques, they are based on a single approach and on only one outcome criterion--earnings. Also, estimates are currently available only for fiscal 1976 participants. The authors of the net impact study themselves recognize these limitations and caution us to view the results in a broad perspective:

> The restricted nature of the estimates . . . must be kept in mind. This is not an overall evaluation of CETA programs, since certain CETA activities are omitted. Furthermore, it takes no account of the impact of CETA on the local job market, or other possible indirect benefits to society from adding to human capital. Neither does it take into account costs of the program nor the value of goods and services produced by participants while in the program. (Westat, 1981a, p. 3-21)

Other qualifiers of the estimates include the adequacy of matching procedures and analysis techniques for adjusting for individual characteristics and employment disruptions. Some comparison group members probably did participate in CETA, contaminating the comparison group, and others, for reasons unknown, did not find CETA an attractive means of assistance. That some jobs are not covered by Social Security and that work experience and public service employment terminees are more likely to be found in these jobs than other terminees or than comparison group members create further problems.

Future analyses of the Continuous Longitudinal Manpower Survey data may eliminate some of these problems, but others are likely to remain insoluble. Exploratory analyses by Westat of earnings data for 1975 participants demonstrate the sensitivity of the net impact estimates to various matching and analysis procedures. Ongoing analyses will test the stability of the present findings for the fiscal 1976 data. For all these reasons, it makes most sense to take the net impact estimates as merely general patterns rather than point estimates.

Seventh, the PSIP program is still too young to allow us to assess its effectiveness. Its overall placement rates and rates of private sector employment are slightly higher than for the Comprehensive Services titles, but these differences are not unexpected, given the program's smaller size, greater emphasis on on-the-job and classroom training, and less-disadvantaged participant profile. PSIP serves lower proportions of women and people in households receiving public benefits. Little evidence exists at present that the Private Industry Councils are being innovative, but this is not to say that new approaches will not appear in the future. Building a program that links private and public sectors takes time. There is a possibility, however, that if PSIP expands, the Councils will end up competing with prime sponsors for scarce employment and training resources such as on-the-job training positions.

Eighth, and last, it should be recognized that a lack of information is not the same thing as a failure in program effectiveness. The criteria for assessing CETA's effectiveness are multiple. As we noted in chapter 3, evaluations of employment and training programs can also appropriately focus on such things as reductions in transfer payments, increases in human capital, increases in the value of outputs from job components, reductions in crime (or prevention of increases), increases in tax revenue, increases in labor force attachment, and increases in self-esteem. Moreover, focusing on earnings, finding a point estimate of gain in the first year after participation, is arguably less appropriate than giving attention to whether earners have been put on a different and steeper earnings path. First-year outcomes alone may give a distorted picture of a program's effectiveness if people entering CETA have forgone other opportunities that might have given them greater short-term benefits.

Our appraisals of service effectiveness must be guided by some clarification of program objectives. In the past, for example, similar evaluation criteria were applied to counterstructural and countercyclical services. Net impact estimates of CETA's effects on the earnings of PSE participants have been compared with those of participants in other service types. Since PSE title VI was conceived of as a countercyclical program, however--one to assist workers temporarily unemployed in recessionary times--earnings gains are not an obvious criterion for assessing PSE. Indeed, even expecting participants to maintain their preprogram earnings levels is a stringent criterion for countercyclical services.

What more do we need to find out?

The Continuous Longitudinal Manpower Survey offers a rich data base for seeking answers to questions beyond those about earnings gains. Additionally, as data on more recent CETA participants become available, and as other analysts apply themselves to these data, we will surely develop more comprehensive information on the effectiveness of Federal employment and training efforts than we now have for these and, indeed, for most other kinds of social programs.

The U.S. Department of Labor has concentrated its evaluation resources on conducting implementation studies for quick feedback to managers and on developing long-term information on overall program effectiveness. The prime sponsor reporting requirements have been designed to assist Federal monitoring while remaining as little intrusive and burdensome as possible, consistent with CETA's identity as a decentralized program. Even so, information gaps remain. Some of the gaps in our knowledge about CETA will be filled by ongoing and future data collection and analysis of the Continuous Longitudinal Manpower Survey. Despite all this, some gaps are not likely ever to be filled. The National Council on Employment Policy has aptly described the limitations on what evaluation can tell us:

> Employment and training policies must rest on informed judgments rather than unequivocal findings. Evaluations can be improved, but even the best studies will leave many questions unanswered. (The Impact, 1976, p. 2)

It is possible, however, to outline a number of areas in which general understanding, and therefore perhaps operation, of employment and training programs might be improved. These areas might be addressed through CLMS and additional evaluation studies. Including geospecific indicators on CLMS would make it possible to assess the influences on CETA performance (as measured by earnings gains) of local labor market conditions, industry demands for occupations, and the fiscal conditions of local governments. Procedures are available that could make possible the merging of data on local community economic circumstances with individual survey records without risking the disclosure of individual CETA enrollees' identities. This merging would permit us to obtain a better understanding of the degree to which CETA's effectiveness is susceptible to local community circumstances and could provide an expectation baseline for prime sponsor performance.

Among studies that are needed are explorations of the factors that govern service mix for the individual prime sponsor, especially given that participants in some service types have better outcomes than others. At this point, it is unclear whether the local service mix is a function of staff philosophy, procedural requirements, availability of community resources, or other factors. Without an understanding of local limitations, prohibiting certain types of service or recommending delivery of at least minimum levels of others may not accomplish anything. A recommendation that a community increase on-the-job training will not succeed if, for example, the community's employers are deterred by the paperwork required or if its resources for on-the-job training have already been exhausted. Identifying and understanding what it is that shapes service mix could help reduce constraints operating on local service providers.

Another gap in our knowledge has been mentioned throughout this report--it is that the only measure of program effectiveness so far available for CETA adult services is net earnings gains. Although gain in earnings is the stated legislative objective of the program--and although it probably serves reasonably as a proxy for several of the other possible criteria we have discussed--the benefits of employment and training programs may extend beyond it. Assessing such things as whether receipt of public benefits like AFDC decreased and by how much and whether these programs result in increased value of outputs would help us put federally funded employment and training activities in a broader perspective.

Finally, information is needed on prime sponsor management procedures and on ways to assess the quality of services prime sponsors provide. If it were known which prime sponsors have

the soundest management procedures, the other sponsors who are not performing as well might be better assisted. If more were known about the aspects of operations that relate to effectiveness, more useful technical assistance might be provided to State and local operators.

In summary, our findings indicate that, on average, CETA adult services were given to people who were disadvantaged from several standpoints--economic status, educational status, and employment stability. The complexity of this program that seeks to match individual needs and local service resources results, as expected, in different participant profiles for the four service types. These differences and variations in occupational areas of the services make comparisons across service types somewhat difficult to interpret. However, comparisons of employment and earnings experiences for early participants in CETA before and after their participation are encouraging, especially since there is no evidence of a relapse over two years time. Although the only available net impact analysis indicates that in the aggregate only $300 to $400 of 1976 participants' 1977 earnings can be attributed directly to CETA, analyses by subgroups and patterns of gross earnings changes suggest that many women and previously low earners may have profited substantially from the program. While there are gaps in our understanding of the program, the information that we have for CETA adult services is much richer than the information we have for most other social programs.

TECHNICAL DESCRIPTION OF PROCEDURES USED IN THE CLMS NET IMPACT ANALYSIS

In this appendix, we summarize the matching and analysis procedures used in the net impact estimates described in chapter 6. More detailed discussions of these procedures and their justification can be found in Westat's Net Impact Report No. 1 (Westat, 1981a) and in Westat's unpublished working papers.

Estimates of the 1977 net earnings impact of participation in adult-oriented CETA services were derived from differences in Social Security-covered earnings between a sample of CETA participants and a matched comparison group selected from the Current Population Survey (CPS). The net impact study thus relied on two procedures to compensate for the lack of a randomized control group--creation of an artificial comparison group through matching and adjustment for background factors by regression methods.

SAMPLES

The sample of CETA participants, the Continuous Longitudinal Manpower Survey (CLMS) sample, consisted of people participating in CETA classroom training, on-the-job training, adult work experience, or public service employment or some combination of these who had enrolled during fiscal year 1976 and had terminated by December 31, 1976. They were required to participate a minimum of eight days. People receiving only direct referral service and people participating in a summer youth program were excluded.

The comparison group was selected from the March 1976 CPS on the basis of matching procedures described below. To avoid matching CETA participants with people not in the labor force, CPS respondents were excluded if they were not working or seeking work during the survey week. An exception was made if they had worked some portion of calendar 1975.

For both the CETA sample and the CPS comparison group, people were eliminated from the files who were younger than 14, older than 60, earned more than $20,000 the previous year, or had family income of more than $30,000 the previous year. When the earnings information from the Social Security Administration was merged with the CETA and CPS files, people were excluded whose records did not match on at least three of five characteristics--year of birth, month of birth, sex, race, and the first six characters of the surname. These procedures made 38,892 CPS records available for matching.

MATCHING PROCEDURES

From its earlier, unpublished analyses, suggesting that postprogram earnings are predicted by different factors for

preprogram lower earners compared to higher earners, Westat concluded that matching for the CETA (CLMS) sample and the CPS sample should proceed on the basis of earnings histories. Accordingly, consistently higher preprogram earners--that is, for years 1973 and 1974--were separated from consistently lower earners. The CETA and CPS files were divided into three parts, and further matches were made within each.

Low earners were people whose SSA reported earnings were below $2,000 in both 1973 and 1974 and who in interviews reported earnings of less than $4,000 in the year before the interview. Intermediate or mixed earners were people who did not fit the definition of either low or higher earners. Higher earners were people whose SSA reported earnings were $4,000 or more in both 1973 and 1974.

Variables used in the match were identical for all three groups, but the priority given to them differed. These variables were sex, race/ethnicity, age, education, family income, labor force experience, head of family, SSA earnings 1975, SSA earnings change 1974-75, SSA earnings change 1973-74, poverty status, and class of worker. Exact matches were achieved in all three subsets for sex and race/ethnicity. For low earners, match priority was given to demographic variables such as age and education, since their preprogram earnings were found not to be as important in predicting postprogram earnings. For intermediate/mixed and higher earner groups, demographic characteristics were subordinate to the preprogram earnings variables.

The numbers of cases available for analysis after matching were

	CETA	CPS
Low	3,134	2,432
Intermediate/mixed	2,212	1,601
Higher	940	1,216
Total	6,286	5,249

Individual CPS cases were given a weight corresponding to the ratio of CLMS to CPS cases within each match cell.

The adequacy of the match was evaluated as far as possible on the basis of three criteria: similarity of (1) CETA and CPS comparison groups on socioeconomic characteristics known to be determinants of earnings, (2) preprogram earnings, and (3) earnings models as applied to preprogram earnings.

This matching procedure yielded closely controlled comparisons of results overall and by preprogram earnings histories, sex, and race/ethnicity, but this is not necessarily true for the comparisons of service types--classroom training, on-the-job

training, work experience, and public service employment. Match lists were not constructed separately for service types.

ANALYSIS

The analysis proceeded

> from a model in which SSA earnings in a postprogram year (1977) are assumed to be a linear function of earnings in a preprogram year or years, demographic and socioeconomic characteristics, extent of labor force participation in the prior year, other personal characteristics, such as veteran status, and participation in CETA. (Westat, 1981a, pp. 3-17 and 3-18)

Participation in CETA was analyzed in terms of such factors as service type, length of stay, and placement at termination. Separate sets of models were constructed for each subgroup of preprogram earnings history by race/ethnicity by sex, yielding twelve basic sets.

POTENTIAL BIASES

Although Westat's twofold approach to adjusting for nonequivalences between the CETA participant sample and the CPS comparison group appears to be consistent with common practice and conservative, a number of potential biases should be kept in mind when we interpret the results. Westat has summarized them in the net impact report; four of the most important are listed here.

1. The procedures used to correct for nonequivalences between groups can correct only for the part of the nonequivalence that is related to measured characteristics. There may be differences in unmeasured characteristics (or characteristics measured with substantial error) that are not adequately adjusted for.

2. Some people in the CPS comparison group may have participated in CETA, confounding the comparison between participants and nonparticipants. This contamination is thought to be more a problem for minorities and youth than for other demographic subgroups.

3. Because not all jobs are part of the Social Security system and because CETA participants are more likely to be in public sector jobs not covered by Social Security than CPS comparison group members, there is a downward bias in the net impact estimates. It is estimated to be around $100 overall and $100 to $500 for PSE. Adjustments have not been computed for work experience.

4. The lack of separate matching procedures for participants in CETA service types means that these estimates are more vulner-

able to selection biases than estimates for preprogram earnings or race/ethnicity subgroups. This is especially a problem for work experience because participants in this service were generally less employable, creating the risk of a downward bias.

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APPENDIX III

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SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES
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WASHINGTON, D.C. 20515

March 3, 1981

Mr. Milton J. Socolar
Acting Comptroller General
of the United States
General Accounting Office
Room 7026
441 "G" Street, N.W.
Washington, D.C. 20548

Dear Mr. Socolar:

The Subcommittee on Employment Opportunities anticipates conducting oversight on the Comprehensive Employment and Training Act during the middle to late summer of 1981. Information on the effectiveness of various types of CETA services would be particularly valuable to the Subcommittee during its deliberations. Initial discussions between my staff Director, Susan Grayson and staff from your Institute for Program Evaluation indicated that this is feasible.

The Subcommittee is interested in obtaining an assessment of existing evaluation information for at least four types of CETA Services - classroom training, on-the-job training, work experience, and public service employment. It would be most helpful if this work were based on a technical review of evaluation designs and products such that it presents and integrates the results of the soundest and most comprehensive CETA evaluations.

It would be most helpful if Institute staff members could brief my staff or me sometime in August with a written report following soon thereafter.

Sincerely yours,

Augustus F. Hawkins
Chairman

AFH:yas

APPENDIX IV

U.S. Department of Labor

Assistant Secretary for
Employment and Training
Washington, D.C. 20210

MAY 20 1982

Mr. Gregory J. Ahart
Director
Human Resources Division
U. S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Ahart:

This is in reply to your letter to Secretary Donovan requesting comments on the draft GAO report entitled, "CETA Programs for Disadvantaged Adults - What Do We Know About Their Enrollees, Services and Effectiveness?" The Department's response is enclosed.

The Department appreciates the opportunity to comment on this report.

Sincerely,

Albert Angrisani

ALBERT ANGRISANI
Assistant Secretary of Labor

Enclosure

Department of Labor's Response to Draft GAO Report Entitled "CETA Programs for Disadvantaged Adults - What Do We Know About Their Enrollees, Services and Effectiveness?"

The draft GAO report, "CETA Programs for Disadvantaged Adults - What Do We Know About Enrollees, Services and Effectiveness?", assesses the performance of adult-oriented CETA programs with regard to enrollees, services and effectiveness by reviewing existing information sources, such as program administrative data and the results of evaluation and research studies. The report synthesizes a diverse set of data and analyses in an effort to provide a broad overview of CETA's program for adults. Although the text stresses the need for caution in interpreting these results, we are concerned that the absences of these caeveats in the digest may lead some to draw hasty conclusions re CETA's services and their impacts.

GAO note a

While the need for selectivity in a review of this nature is recognized, the Department would like to make special note of the GAO reviewers failure to use program cost data. While such data may be limited when analyzing evaluation studies, data are available, by title, through the CETA reporting system. The Department believes that any comprehensive analysis of the effectiveness of CETA programs must necessarily include such data.

GAO note b

In a report of the scope and complexity of this, there is much on which we could comment. Since the GAO has not drawn final conclusions and is not making recommendations, however, the Department does not see the need to comment on specific points made in the literature review.

GAO notes:

a/GAO believes that the caveats in the Digest are appropriate and sufficient to enable readers to draw reasonable conclusions regarding the performance of CETA adult services.

b/The draft report that the Department of Labor reviewed did include a summary of program cost data (outlays) for CETA titles IIB, IID, and VI for fiscal years 1975-80, in table 1, which is on page 10.

*U.S. GOVERNMENT PRINTING OFFICE : 1982 0-361-843/2154